THE CO-OPERATIVE SECTOR

By

Dr. G. FAUQUET

Translated from the French by
L. PURCELL WEAVER, M.A.

1951

CO-OPERATIVE UNION LIMITED
Holyoake House, Hanover Street, Manchester, 4

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THE PLACE OF MAN IN CO-OPERATIVE INSTITUTIONS AND THE PLACE OF CO-OPERATIVE INSTITUTIONS IN ECONOMIC LIFE

By

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Translated from the French by
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OTHER TRANSLATIONS OF *LE SECTEUR COOPÉRATIF*

Kooperatinis Ukio Sektorius. Lithuanian translation by Professor Peter Salcius, published by "Lietuvos kooperatininku draugijos leidinys." Kaunas, 1936.

Kooperativais Sectors. Latvian translation by J. Roze, published by "Latvijas Kooperativu kongresu padomas izdevums" (Council of Co-operative Congresses). Riga, 1937.

Der Genossenschaftliche Sektor. German translation by Dr. H. Venedey, published by "Verein schweiz. Konsumvereine (V.S.K.)" (Co-operative Union and Wholesale Co-operative Society of Switzerland). Basle, 1937.

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PREFACE
TO THE
FOURTH FRENCH EDITION

IN this little book, first published in 1935, I have tried continuing the efforts of previous years in the press and at co-operative meetings, to make co-operators realise the necessity of readjusting their ideas and of bringing up to date their traditional conceptions.

The favourable reception accorded to this work in co-operative circles* suggests that it came as a timely response to a widely felt, though unformulated, need.

Confronted by the new forms of capitalism and by the increasing intervention of the State in economic life, co-operative thought cannot remain wedded to nineteenth-century conceptions, which have ceased to guide and direct the practical activities of the Movement and today hardly have an elementary propaganda value. I have not thought it necessary to describe and criticise these conceptions which I regard as out of date. The most immediately useful thing, I decided, was to portray the co-operative institutions as they appear to the eye, giving an analysis of their structure, together with some account of the conditions of their working, of the rules which they apply to themselves, and of the behaviour which they encourage in their

* Co-operative organisations have already published translations in eight European languages (see p. 4).

members. Lastly, such a survey should indicate their relations, actual or possible, with the other forms of economy.

The Co-operative Movement, itself a people's movement, is akin to other such movements engaged in the people's defence and emancipation. It differs from them in that by its very nature—and as a pre-condition of its sound development—it takes as its province not only the production and distribution of goods, but also man himself and man's behaviour.

It is thus linked with all those currents of thought similarly concerned to preserve the values which, beyond any economic consideration, endow man morally and socially. Its own original contribution is to afford these aspirations the solid support of proven structures and of institutions daily enriched by lengthening experience.

No doctrine claiming to guide and inspire the Co-operative Movement can find its moral basis outside the body of motives and standards of value which within the co-operative institutions themselves direct the wills of co-operators and determine their behaviour. These motives and standards are at once the condition and the product of co-operative activities. *Theory* records them as facts, and does its best to describe them. The role of *doctrine* is to formulate them clearly so that they may be better understood and appreciated. By so doing it increases the Movement's effectiveness—in practical action and as a moral influence.

As the reader will see, this little book attempts two things. First, it seeks to bring together the elements of a positive theory of co-operative institutions. Secondly, taking as its starting point the motives

and attitudes on which the existence and development of co-operative activities in fact depend, it tries to define, as a doctrine, the Movement's aspirations and ideals.

November, 1941.

PART I

General Outline

I

Introduction

Every doctrine evolves, even in the hands of those who would piously appoint themselves its guardians—
CHARLES GIDE
(*L'Ecole de Nimes*).

CO-OPERATORS have always been more or less conscious that their institutions meant the introduction of new principles of organisation into economic life, and, into social life, new rules of behaviour. But most of them envisaged the changes they aimed at only as an indefinite development of co-operative institutions at the expense of an outside world which would gradually be absorbed by the latter. But until the process was complete this outside world would remain the sphere of free competition.

However, capitalism has for a long time past been eliminating competition by setting up cartels and trusts and through national and international agreements. And today it is doing so at an ever-quickened rhythm. Partly free and partly organised, it is dominated as a whole by the great banking concentrations.

Then again, the liberal state no longer exists: it is a thing of the past. Even before the outbreak of war

the public authorities of a number of countries—U.S.S.R., Italy, Germany, U.S.A., Turkey—had already taken or showed the intention of taking into their hands in one way or another the over-all management of the economy. In other countries State action was less systematic, resulting from the pressure of events rather than from any considered plan. But it led, none the less, by rule-of-thumb methods and a succession of partial measures of varying boldness towards the control of essential economic activities.

Today we must expect that the war economy will be followed by one which, though it will probably involve fewer restrictions, will as a whole remain subject to direct or indirect State control.

The Co-operative Movement can consequently no longer count, as in the past, upon an indefinite growth in an environment of economic liberty. It now has to adapt itself—by struggle in one place, by agreement in another—to the elements of a complex environment, partly free and partly organised. It must now decide what place it means to claim for itself in the new economy, either organised or in process of organisation. To succeed in this it is essential that it should examine itself and its peculiar characteristics anew.

* * * *

In the course of the last century capitalist forms of economy acquired a clear predominance, less perhaps from their actual importance in the specifically economic sphere than by their influence on the Press, on the public authorities, and on customs and civilisation generally.

Nevertheless, the capitalist forms of economy have not led to the disappearance of non-capitalist forms, nor have they prevented the appearance of new ones. Moreover, within historical memory there has never been, nor is there to-day, an instance of a society, however little developed, which comprises only one of the forms distinguished in the abstract by economists. At the present day, in all the countries of the world, even in those whose entire economy seems to be cast in the pattern of State control, composite and mixed economies are found. The old forms may have been subordinated, but not suppressed.

Among the new non-capitalist forms are co-operative institutions, and, among the old ones, the many small units of family economy and of peasant and handicraft economy. It is just these small units that co-operative institutions group, support, and even, on occasion, reconstitute.

These innumerable small units in their totality play a part at least of the same order of magnitude as the capitalist undertakings, as regards both the number of persons comprised in them and the value and volume of the goods which they utilise and deliver to or draw from the market.*

In recent years the term "sector" has come into

* Who would imagine, *a priori*, that in a single branch of production—eggs and poultry—Belgian farmers in 1929 marketed goods worth nearly 50 per cent of the output of the Belgian mining industry? Or that in France, at the end of 1934, the amount of deposits in Savings Bank accounts (59,000 million francs spread over 20 million accounts) was practically equal to the market value of the shares of the French companies quoted on the Stock Exchange (64,000 million francs)?

rapid favour to designate the main subdivisions of the economy. Keeping this term as convenient for purposes of schematic simplification, we may distinguish the following four sectors:

The Public Sector, comprising all the enterprises run by the State or local authorities (municipalities, etc.) either directly or by delegation. To this sector also belong the organs through which the central authority seeks to exercise a general control of the economy or of certain branches of it;

The Capitalist Sector, comprising all the enterprises dominated by private capital, which incurs the risks and takes the profits;

The Private Sector proper (or pre-capitalist sector), comprising the innumerable non-capitalist units and activities of family economy and of peasant and handicraft economy;

The Co-operative Sector, comprising all the forms of co-operation already linked or tending to link themselves together socially and economically.

It is fairly easy to pick out and define broadly these four sectors in all countries, whatever their stage of development. One country differs from another only in the degree in which the four sectors are represented. The "co-operative sector" is closely connected to the "private sector." Indeed in all its forms co-operation is essentially a structure arising out of the small units of family and of peasant and handicraft economy. Consequently, in proportion as co-operatives increase their membership and complete their organisation, the "co-operative sector" and the "private sector" tend to constitute a single system, but one with a federal structure which associates its small basic units for

their common good without, however, impairing their autonomy.

The relations of the " co-operative sector " with the other sectors are of a different nature. With the " capitalist sector " it has relations of competition and conflict, which nevertheless do not exclude business relations within national economies or on international markets. Relations with the " public sector " are complex, varying with the degree of development of co-operative institutions and the political and economic outlook of the State.

* * * *

The first co-operative institutions arose spontaneously from necessity and the spirit of association among the people, not by the act of some great social reformer.* Secondly, they were stimulated and at times deflected by doctrines emerging beside them or built upon them, which enthused co-operators with the vision of a complete social transformation to be achieved by the development of co-operation and nothing else.

However, on a more positive and realistic view, it appears that neither Consumers' Co-operation alone nor even all the forms of co-operation together can embrace the whole of economic life. They can only aim at occupying a sector, the extent of which will of course vary with the nature of the political and economic forces in the environment and with the abilities of the co-operators themselves. Moreover, despite their efforts to link up with one another and to satisfy their mutual needs among

* See Part II, Chapter 1.

themselves, they remain a system open to the rest of the economy.

Though we thus reject integral co-operation *qua* estimate of the future of the economy, we nevertheless intend—as will be seen in the following pages—to retain all the moral values underlying the co-operativism taught by Charles Gide. If co-operation is to prosper and—what is more important—is to remain true to itself and not deviate into other forms, these values must be living realities in the activity and behaviour of co-operators. For these values are closely bound up with co-operation's healthy development; they are both a condition and a result of it.

II

Features Common to All Co-operatives

The Co-operative Movement is at the same time one and varied.

It is varied in different ways:

(*a*) as regards the classes that resort to co-operative activity: working people and townsfolk of small means, handicraftsmen and small shopkeepers, peasants, fishermen, etc.;

(*b*) as regards the needs which it satisfies: needs of family or individual consumption, housing needs, occupational needs (means of production, means of processing and marketing products), needs for various services (motive power, irrigation, etc., accountancy, credit, insurance, etc.);

(*c*) as regards its relations with the State, political parties and social movements—relations which vary with the social and economic structure as well as with the history of each country.

In spite of its diversity, the Co-operative Movement presents itself as a single whole, not only from a theoretical and formal standpoint, but also practically through the convergent tendencies operating within the Movement itself and guiding its activities.

Indeed in most countries it will be found that the different categories of co-operatives fostered organic relations within common federations and confederations from the time the Movement began, and have maintained them ever since. Even in the countries

where the Movement has at certain moments been split into several fragments—more often than not under the influence of outside political differences—union of the divergent tendencies for purposes of common action is increasingly to be observed. Such common action includes co-operative propaganda and education, the improvement of co-operative legislation and the introduction into it of a stricter definition of common principles, and the establishment, among the different categories, of organic relations of a social and economic character.

Increasingly, too, the theories which tended to raise ideological barriers between the different forms of co-operation are rejected by the Co-operative Movement itself. Thus the twelfth Congress of the International Co-operative Alliance, held at Stockholm in 1927, proclaimed the fundamental unity of the Co-operative Movement in all its forms. Likewise, the fourteenth International Congress of Agriculture (Bucarest, 1929) echoed the resolutions of the co-operative congresses when it declared that "the consumers' co-operatives and the producers' co-operatives pursue a common aim, each group tending, in its particular sphere, to eliminate the supremacy of capital over labour and to avoid unearned gains."

The unity of the Co-operative Movement is therefore no mere abstract idea; it is no less visibly a fact than the extreme variety of the practical applications of co-operative principles. Any positive theory of co-operation must now accept the fact of this unity and pay it due regard.

*   *   *   *

Co-operative institutions are akin to all the forms

of *people's association* as regards their origins and the milieux and social classes that they serve. Though their methods are their own, they benefit the same strata in society and perform a similar task of defence, uplift and emancipation. What distinguishes co-operative institutions from other forms of popular action and association is their pursuit of their aims by means of organised economic activity —of an undertaking.

Consequently, in a co-operative institution a distinction has to be made between two conjoined elements, the one *social* and the other *economic*.

There is, (1) an *association of persons* who have recognised and continue to recognise the similarity of certain of their needs and the possibility of satisfying these better through a common undertaking than by individual means, and (2) a *common undertaking* with a special object corresponding exactly to the needs to be satisfied.

This double character of a co-operative provides the starting point for the society's rules of organisation which lay down the mutual *social relations* of the members in the association and the *economic relations* of each of them with the undertaking.

Owing to the individual or family character of the units which it groups,* a *co-operative association* is not an impersonal grouping of capital, but in the fullest sense of the term an *association of persons*. The rule of " one man, one vote," which accords with the traditional popular conceptions of right, is its fundamental rule for all the mutual relations of the members within the association. Each co-operative association is a democracy.†

* See pp. 36 *et seq.*

† See p. 30.

The *co-operative undertaking* is set up and carried on in order to satisfy the needs of its associated members (supplies, marketing facilities, work, etc.). The rules governing its administration as well as all the relations between it and its members derive from the notion of service: pursuit of quality of service and reduction of its cost; distribution of surpluses to members in proportion to the business done by each with the society.

Outside the "co-operative sector," as defined above, are those "service undertakings" which are *auxiliary to groups of capitalist undertakings*, such as certain cartels and buying and selling agencies. Such undertakings are excluded notwithstanding that they may adopt co-operative rules in their economic relations with their patrons.

The distinction just made does not exclude the existence, in reality, of intermediate forms in which the character of the component units—whether individuals or capitalist entities—is ambiguous. In such cases the test of the predominance of the individual element will be the degree to which the rule of personal equality is applied in the general and other meetings of the society.

* * * *

The characteristics indicated above as an essential feature of a co-operative institution are common to all forms of co-operation.*

Moreover, it is impossible to draw a clear dividing line between the various categories of co-operative

* For further indications on the characteristics of the co-operative institution, see Part II: *Further Development*.

societies: mixed and combined forms bridge the gap from one category to another.*

One very usual principle of classification is to distinguish between co-operatives satisfying *general needs*, such as those of food, heating, clothing and housing, and co-operatives satisfying *occupational needs*.

This principle of classification, from which theoretical conclusions of doubtful validity have often been drawn, readily fits the case of the co-operative societies of urban districts. It is understandable that in the towns where occupations are varied and where home life is generally separate from work, specialisation should occur. Where it does, general needs and the needs of each occupation are satisfied by separate co-operatives.

But such specialisation is not necessarily applicable in the country. In fact, the great majority of rural co-operatives—at any rate the primary, village co-operatives—are multi-purpose ones. Their members, recruited from the same environment where there is little occupational differentiation, have the same credit needs, the same domestic or agricultural supply needs, and the same need of facilities for the disposal of their farm produce on a near or distant market. It is natural that once they are co-operatively grouped they should want their common undertaking—if allowed by the law—to satisfy all the needs arising from their common way of life.

However, if the conditions of rural life do not actively impose the specialisation of co-operatives, they offer no obstacle to it. In certain countries, for

* See G. Fauquet: "*The Diversity of Co-operative Institutions and their Classification*," in *International Labour Review*, Vol. XXXIX, No. 4, April, 1939.

instance, credit co-operatives abstain from all trading activities, either as a matter of choice or because the law so provides. Similarly, certain co-operatives grouping the producers of a single commodity are either set up from the start as specialised co-operatives or else detach themselves at a given moment from the main body of multi-purpose co-operative societies.

It is, in fact, in agricultural co-operation that the examples of extreme specialisation are found.*

Without entering into a detailed examination of the advantages offered by specialised co-operatives (such as the agricultural " commodity associations " and the special-purpose federal societies of consumers' co-operatives), we may note that this specialisation permits—and is often the necessary means of obtaining—the most perfect cohesion among the members. This cohesion is naturally less well assured when the various functions assumed by the common undertaking do not correspond to identical needs shared by all the members.

Hence one of the conditions for the normal and healthy progress of a co-operative institution is that the membership on which it is based should be homogeneous—homogeneous not absolutely, but in relation to the function or functions assumed by the common undertaking.

The cohesion attained through such a state of economic homogeneousness may be reinforced by circumstances unconnected with the function of the undertaking (common neighbourhood, common origin, common political or religious convictions).

Because of its federative structure, co-operative organisation lends itself particularly well to the

* See pp. 117 *et seq.*

combined use of cohesions of different kinds. In the Netherlands, for example, the consumers' co-operatives are grouped into two federations—one comprising the Catholic co-operatives, and the other the "neutral" co-operatives—but all the societies obtain their supplies through the same co-operative wholesale society. Similarly, agricultural co-operatives which have specialised in a single commodity in order to secure the maximum cohesion among their members, may recognise that they have this or that common need which can be better satisfied through a joint organ. Distinct as regards the things in which they differ, they will come together on the ground common to them.

Since cities and States were formed, political democracies, unlike the homogeneous democracies of primitive rural communities, have always been heterogeneous, exposed to the conflict of classes and of parties.

Co-operative democracies, if they observe the rules taught by their own experience, are also homogeneous democracies. They are homogeneous—as already stated—in relation to the function of the common undertaking. A direct relation, of which everyone is aware, subsists between the particular object of the common undertaking and the specific needs, common to all, which the latter has to satisfy. Differences may arise, but only in the search for the solutions best adapted to the ends pursued.

It follows that co-operative democracies, unless influenced by outside conflicts, have an internal life, habits and customs quite different from those to be observed in political democracies.

* * * *

The nature of the ties binding the co-operator to his society may be indicated in a concrete way by taking the example of a farmers' co-operative dairy.

Such a co-operative dairy is an undertaking controlled and managed by the association of peasants who established it for the purpose of ensuring the best marketing conditions for their dairy produce. If it has been decided that the best marketing conditions are obtainable by turning the milk into butter in the common undertaking, then this will take the form of a co-operative butter factory. In this case the undertaking will fulfil two successive economic functions: first, it will turn the milk delivered by the members into butter; secondly, it will market the butter so manufactured on the most suitable markets.

Thus at first sight it seems that the activities of the undertaking may be reduced to very simple terms: (1) collection of the milk; (2) turning of the milk into butter; (3) sale of the butter. It is certainly to these terms alone (plus the utilisation of by-products) that the functions of a capitalist creamery are reducible. But the co-operative experience of such countries as Denmark, where co-operative dairying has achieved the greatest success, shows that the functions which the co-operative has to fulfil are much more complex, as are also the relations of the society with its members.

In practice the co-operative organisation will not be content purely and simply to collect the milk delivered by its members. It will concern itself with the quality of such milk, with its butterfat content and its physical and biological purity, as well as with the health of the milch-cows and with their selection, feeding, stabling, etc. No doubt the

capitalist creamery may pay attention to these matters too, but it will not be in a position to obtain from mere suppliers the disciplined collaboration which the co-operative gets from its members.

The latter, when they came together, did so for the purpose of solving jointly a marketing problem, to wit, the sale of their dairy production under the most favourable conditions. Now it happens that in their search for the most satisfactory solution they are led not only to organise the common undertaking in the best way possible, but also to impose on themselves the most detailed rules regarding the operation of their own farms, in such a way that their farms and the common undertaking henceforth form a single technically unified system.

But technical unification stops short of the absorption of the individual holdings into the common undertaking. Each member preserves his autonomy, and any restriction on the latter is only due to a discipline freely accepted by him in the interests of himself and of all his fellow-members. Such discipline, essential to really close technical union, is sustained by the bond of fellowship which is present in the co-operative from its start, but needs consolidation and development through education if it is to bear full fruit.

Thus by a single motion co-operation raises the people's standard materially as well as morally. If it failed in its moral task, it would also fail in its economic one.

III

Co-operative Integrations

The co-operative societies with an individual membership represent only the first degree of co-operative association. Similarly, the technical and economic relations established between the societies and their members are only the first link in the chain of co-operative integrations.

For the primary societies in turn form themselves into regional and national groups of the second or third degree. These groups are varied in structure and function: they pursue—either separately or simultaneously—*social aims* (education, organisation, audit) and *economic aims*. The former aims are entrusted to federations which may or may not be limited to a single form of co-operation, while the latter are promoted by the wholesale societies of the consumers' co-operatives, by the central marketing or supply organisations of the agricultural co-operatives, and by the central organisations of credit co-operatives and co-operative banks.

The *co-operative wholesale societies*, the central organisations set up by the consumers' co-operatives for their joint supply, all have practically identical functions and the same programme for future expansion. They differ from each other only by their size, their volume of trade, and the importance and variety of their productive undertakings.

The oldest of them, the English Co-operative Wholesale Society, is also the largest. Its trade in

1948 amounted to 252 million pounds sterling. It employs some 50,000 workers and employees in about a hundred undertakings belonging to a great variety of branches of industry. They range from flour mills, soap factories, preserve factories and weaving mills to plants for the manufacture of motor lorries. It makes agricultural implements and even manufactures gramophones, pianos and wireless sets. Jointly with the Scottish Co-operative Wholesale Society, it owns tea plantations in India and Ceylon, and it obtains the raw materials for its soap factories from its own palm-groves in Africa.

The wholesale societies of other countries are very much smaller than the British ones. All of them, nevertheless, already have productive undertakings of their own and draw part of their supplies directly from the international market.

The *central supply organisations of the agricultural co-operatives*, like the consumers' co-operative wholesales, pursue a policy which aims at reaching back to the source of supply.

The *federations of the agricultural marketing co-operatives*, on the other hand, particularly those of the "commodity associations," strive to attain the ultimate market. Some of them, especially in the exporting countries, already hold a leading position on the international market. Prior to being marketed the products which have been collected are made saleable by the execution—co-operatively organised—of all the requisite operations of grading and processing.

From their lowest units and throughout the range of their federal bodies, co-operative organisations thus pursue the same vertical development, upward

or downward, as is found in capitalist economy. However, important differences are to be noted, as regards the nature, size and number of the component units.

It is a peculiar characteristic of co-operative integration that it groups together economic units which are very numerous but at the same time very small. The units concerned are either such little organisms as households,* peasant holdings, small family workshops or rural industries and of the manifold forms of home industry, and the little undertakings of handicraftsmen, small shopkeepers, fishermen and the like, or else the individual activities of individual consumers and of workers in co-operatives for joint cultivation, and in workers' productive and labour co-operative societies.

The relations of these small units with the general economy—with the market—have certainly undergone profound modifications. Advancing at certain points and elsewhere in retreat, they continue as a whole to exist through changes in technique, social and economic evolution and political upheavals. This is so in all the mixed economies which are observable at the present time or may reasonably be envisaged.

The existence of the little units grouped by co-operation depends, in the first place, on a state of

* It is to be observed that "households," even in the towns, have retained economic functions, the importance of which is stressed by the attention now paid to domestic economy. The home is not only a place of ultimate consumption, but is also a processing place and a work place, either for wage earners (maids and other servants) or for housewives working in their own homes.

civilisation in which the autonomy of the individual and of the family is legally recognised. It is also based on necessities arising from man's relations with his technical environment. These necessities vary through the full gamut of economic processes which range from natural resources to ultimate consumption.

In the initial and final phases of the economic processes man cannot be reduced to a mere cog in an impersonal system. In both he has constantly to bring into play his faculties of judgment and discernment, and to adapt every decision and move he makes to some concrete and variously shifting situation. In the initial stage he has to reckon with all the caprices of nature, while he is confronted in the final stage by the complex and often individualised requirements of the consumer with his fickle tastes.

This predominance of the role of man at the two extremities of the economic process means that at these two stages a privileged place is assured to the little economic units and activities of an individual character—precisely those which group themselves into co-operative institutions.*

The operations of the *central or intermediate zone*, on the contrary, lend themselves to the subordination of man, while favouring the employment of all the technical processes of simplification and mechanisation. This zone is the privileged domain of rationalisation, where materials and forms, and even labour itself, trained to perform a succession of simple acts, can be subjected to definitions, standards and calculations of an intellectual order and for a time can be detached from nature and life.

* Cf. Diagrams I and II, pp. 126 and 131.

So apart from the great extractive industries and certain large farming enterprises in which capital investment is predominant, it is not at the extremities of the economic processes that capitalist undertakings and their integrations take root and grow. From the beginnings of the merchant economy, they establish themselves directly in the *central zone*, and from there spread either upward towards the sources of supply or downward towards ultimate consumption. In each of these directions they encounter and seek to dominate the little units and activities which are grouped by co-operation for a defensive and offensive effort in the opposite sense. There is thus a conflict on two fronts between the economy aiming at profit and domination and the economy working for man and man's freedom and welfare.

In developing, the commercial and capitalist economy has not caused nor could it cause the disappearance of the small units of the initial and final stages, but from its strong intermediate position it could assault and has in fact assaulted their economic independence. Co-operative organisation has been one of their means of defence as well as their means of counter-attack.

In order to liberate its basic units, co-operation strives through its integrations to reduce the area of the *central zone* occupied by the commercial and capitalist economy. Its success in this endeavour depends on the fulfilment of a twofold condition which is offered to it. First, it must avail itself of the technical methods suited for the zone it is invading, but with its own proper regard for the person of the worker. Secondly, it must not fail to make full use

of the methods not open to its opponent, namely, the maintenance and strengthening of the whole moral, technical and economic bond which from its base in the primary societies must unite the members among themselves and co-ordinate their individual activities with that of the common undertaking.

* * * *

To assure the supply of their members, the consumers' co-operatives attempt, either through their wholesale societies or through special-purpose federal societies, to reach back to the *sources of raw materials*. This aim has been attained in some cases, such as the supply of the soap works of the English Co-operative Wholesale Society by its own palm-groves in Africa, and the supply of the joint tea department of the English and Scottish Wholesale Societies through their tea plantations in India and Ceylon. (Mention may likewise be made, in the field of Agricultural Co-operation, of the ownership of sawmills and forests by fruit producers' co-operatives in California and the operation of a coalmine by the New Zealand dairy co-operatives).

But as a rule the consumers' co-operatives, with their starting point in individual households, have not managed to reach—either directly or through their federal organs—the opposite end of the economic process, except in those cases where capitalism itself has been able to do so. Apart from these cases, they are obliged to enter into relations with *peasant holdings* and preferably with agricultural co-operatives for their supplies of agricultural produce.

Similarly, the integrations of the consumers' co-operatives come up against other limits in the

branches of production in which *handicraftsmen* maintain their position and struggle successfully against capitalist industry by means of their own co-operative organisations.

Integration in the opposite direction, starting from peasant holdings towards *outlets* on the market, easily gains control of the first stages in the economic process, consisting in the transformation of the produce gathered into " marketable commodities " and the organisation of the wholesale marketing. In certain cases such integration has been able to reach down to retail trade, for example, the development of the distributive network of the Californian fruit co-operatives and the supply of urban centres by agricultural co-operative dairies.

But it is to be noted that even in these cases the integration directed towards ultimate consumption is not yet completely achieved. As regards a large part of the commodities marketed, the economic process stretching from sources to ultimate consumption only reaches its final destination in the individual household, lying beyond retail trade. (The lists of typical purchases by English co-operative housewives, compiled and published by the *Producer*, show that about two-thirds of the goods listed are destined to be transformed before use.) Now it is only through membership in consumers' co-operatives (or co-operatives with the same functions) that households can be integrated into co-operative organisation. Individual households are therefore the starting point, not the finishing point, of Co-operative integration.

Thus, considered separately, neither the mounting

integration of the consumers' and supply co-operatives nor the descending integration of the agricultural marketing co-operatives can in general cover the whole range of the economic process. However, complete co-operative integration, extending from natural resources to ultimate consumption, is achieved in two cases.

It is realised when the process is short and self-contained: rural flourmills and bakeries delivering flour and bread to their members in exchange for wheat, and rural cheese factories giving cheese in exchange for milk.

It also happens where, irrespective of the distance between initial production and ultimate consumption, the two co-operative integrations approach and meet each other to combine at the point of meeting. A particularly notable instance of this is the relationship established between the New Zealand Producers' Co-operative Marketing Association Ltd. and the two British co-operative wholesale societies through the medium of a common agency, the New Zealand Produce Association. In this case there is an unbroken chain linking the farms of agricultural co-operators in New Zealand to the households of co-operators in Great Britain.

It is a pre-condition of the establishment of inter-co-operative relations that both the forms of co-operation concerned should have attained a certain degree of development. In particular, it involves the effective and efficient performance, first by the agricultural co-operatives down to a certain stage and from there on by the consumers' co-operatives, of all the successive economic functions requisite in the case of any given product, from the farm right

down to the consumers' household. Certain of the intermediate stages may give rise to joint undertakings.

In some economic processes a part of the successive functions may be carried out by workers' productive co-operative societies, or else, right inside undertakings, of the agricultural and consumers' co-operatives, by labour co-operatives.

The stage which it is important to pass may be a processing industry (flourmills, cheese or butter factories, refineries, etc.). In other cases this stage may consist of the collection of the crops of individual producers and by the apparently simple, yet essential operations of grading and delivery in homogeneous lots of a standard and constant quality.

In a certain number of cases—which are on the increase—this stage has already been passed. But it is impossible to affirm that it can always be passed. Neither can it be affirmed that co-operative institutions will ever be able to establish themselves, in an unbroken chain, through the whole gamut of the economic processes. The latter are not always found following a straight line. Many of them combine and get entangled with each other. Co-operation can occupy a privileged place in some of them. But modern economic life is too complex to be fitted entirely within a single scheme of organisation.

When exchange took place within the boundaries of the same village among neighbours who had multiple mutual relations of a non-economic character as well as economic ones, the exchange itself—a neighbour to neighbour relationship—was permeated by the sentiments and morality dominant in

the common social environment. But when and wherever the urban economy, and later, the commercial and capitalist economy develop, all social bonds between producers and consumers are broken, not merely by the physical distance separating the two groups, but still more by the impersonal and abstract nature of their purely economic relations.

However, if inter-co-operative relations are established, elements of a moral order reappear, in varying but always appreciable degree. Throughout the co-operative chain forged by common efforts, the goods which pass along it no longer represent mere economic values, mere dehumanised commodities. Co-operators of both town and countryside develop an awareness of the bonds uniting them. Between them is established a community of feeling which gradually wins acceptance for rules of equity and reciprocity in their dealings with each other and for respect of one another's conditions of life and labour. Inter-co-operative relations thus bring new life to the old moral conceptions of the "just price" and the "just wage." Like all co-operative development, they help to re-establish the ascendancy of the *social* over the *economic*.*

* The question of inter-co-operative relations has been dealt with in two articles by the author: "The Principal Types of Co-operative Relations between Producers and Consumers of Agricultural Products," in *Annals of Collective Economy*, January–March, 1937, and "Co-operation between Producers and Consumers," in *Review of International Co-operation*, September, 1931. See also the important work by Margaret Digby: *Producers and Consumers*, 2nd edition, P. S. King & Son, Ltd., London, 1938.

IV

Individual Autonomy and Collective Action

The first objective aimed at by the *consumers' co-operative society* is the performance, on behalf of the households it groups together, of the functions which, before its establishment, these households had left to private trade. Secondarily, the members may ask the co-operative to perform such other functions as may seem to them to be better able to be fulfilled by it than by themselves in their homes.

Consumers' co-operatives will in this way be led to establish not only bakeries and food stores, but also—by the transfer of fresh functions from household to co-operative—of laundries, restaurants, and even hotels catering for absence from home, either temporary (travel, holidays) or permanent (isolated persons).

In *co-operative housing societies* the objective of collective action is to help families to set up for themselves an independent household economy, eventually with gardening and small breedings.

In all cases, at whatever point the dividing line between the functions retained by the individual households and those entrusted to the co-operative is drawn, such point will not be determined by an *a priori* judgment systematically either favourable or hostile to the development of the collective functions.

Just as it is not the aim of the consumers' and

housing co-operatives to absorb the individual households but to help them and, in case of need, to make up for deficiencies in them, so it is not the aim of the *agricultural co-operatives* to absorb the small farms which they group together.

There is, of course, the instance of Italian co-operative farming and also that of the Russian *Kolkhozy*. But it is to be observed that the terms "collective farming" and "*kolkhoz*" are used to cover institutions of widely differing types, among which co-operatives for fully joint cultivation are the exception. Moreover it is noteworthy that in the most complete instances of joint cultivation, each member keeps his own vegetable garden and poultry yard, and even a cow, according to the 1930 rules of the *Kolkhozy*.*

The same observations apply to the *industrial co-operatives*—independent handicraftsmen's co-operatives and workers' productive societies.

In most of the *workers' productive co-operative societies* the complete absorption of the occupational activities of the members in a single undertaking is found as an accomplished fact. But the achievements of co-operation are so varied that it would be easy

* This set of rules was modified in February, 1935, by the Second Congress of *Kolkhozy*. The new statute allows each member of the *Kolkhoz* to own outright besides his cow, two calves, a sow and her litter, ten goats or ewes, an unlimited number of fowls and rabbits, and twenty beehives. The statute also establishes four different classes of region according to the relative importance of cereal growing and stock-farming. In regions where stock-farming is the principal occupation, each member's household may own 4–5 cows and 30–40 sheep and goats (8–10 cows and 150 sheep and goats in nomadic regions).

to cite numerous examples of mixed forms, transitional between workers' societies where the work is concentrated in a single establishment and co-operatives which group craftsmen working in independent workshops for purposes of supply, sale, or the joint use of machines.

As in the case of the consumers' and agricultural co-operatives, the mode of organisation will not be determined by dogmatic considerations. A co-operative of industrial workers will organise its work in a common workshop or in separate workshops according to the technical and economic conditions prevailing in the industry in question.

It is to be observed that the workers' productive co-operatives do not aim solely at the improvement of their members' economic position. They do, of course, strive to improve their income from work both directly and in conjunction with trade union action, and often action by the latter alone would involve fewer risks. But the workers' societies have higher aims: they want to abolish the wage system and to secure the *independence of the person of the worker in the course of his work*. The essential element in the definition of paid labour, namely *subordination** is replaced in such societies by responsibility and freely accepted discipline. The same aspiration is sought after and successfully satisfied by "Travail en Commandite" (co-operative work groups),

* The definition of paid labour escapes the economists. It does not escape the jurists whose abstractions are less remote from human realities. It has constantly been held by the French Court of Cassation that the essential characteristic of paid labour is not economic dependence, but the *bond of subordination*.

whether organised within co-operative undertakings or within those of any other kind.*

* * * *

From a study of the co-operative groups known in Russia as artels, Paul Apostol† came to the conclusion that these had two distinct origins:

> "(The co-operative associations) of modern origin arose as a reaction against the individualist economic system. For the idea of founding and developing them to be born, it was necessary to pass through a period of the complete triumph of individualism . . . On the other hand, the co-operative associations belonging to an earlier stage of civilisation are the product of a primitive, communist order. The dissolution of family communities obliged their dispersed elements to devote themselves collectively (i.e. grouped in artels) to many branches of economic production. As a matter of fact, the very progress of the artels has often been a sign of the forward march towards individualism."

The distinction drawn by Apostol throws into strong relief the complex character of co-operative association—the meeting and conjunction of individual independence and collective action.

When co-operation originates in a reaction against the consequences of individualism, it institutes

* See CHARLES MARAUX: "The Commandite: Co-operative Work in the French Printing Industry," in *International Labour Review*, November, 1925. See also HYACINTHE DUBREUIL: *A Chance for Everybody. A Liberal Basis for the Organisation of Work*. London, Chatto and Windus, 1939.

† PAUL APOSTOL: *L'Artèle en Russie. Son histoire, son état actuel*. French translation by E. Chastelot. Paris, 1899.

common action, without, however, suppressing individual effort, which on the contrary it evokes and encourages. From another quarter, the evolution of the old community institutions has led to the same result and the same synthesis through the combination of the surviving collective elements with the acquired individual ones. Common action has in this case been retained, but it is now based on the free accord of individual wills.

Here, I believe, is an indication which should make it possible to have done with vague generalities in researches into the origins of co-operation and to establish at what precise moment in the evolution of institutions the co-operative one appeared fully-fledged.* The co-operative institution

* I made use of the distinction drawn by Paul Apostol in an article in the *Coopérateur de France*, January 31st, 1931, in which I compared, from the standpoint of their origins, the " fruitières " (co-operative cheese factories) of the Jura and the dairy co-operatives of the type of the Charentes and Poitou co-operative dairy societies.

The latter began to develop from a particular date: the oldest was established in 1887. They made possible the renaissance of a whole region by substituting dairy farming for vine growing which was ruined by phylloxera. Thus they are quite modern institutions which came into being in a period of individualist economy, but under circumstances in which individualism had to bow to the necessity for common action.

On the other hand, the co-operative cheese factories of the Jura, commonly known as " fruitières," originated in entirely different conditions. There are documents testifying to their existence in the thirteenth century. And it is only quite recently that most of them have replaced their customary rules by written statutes on the model of the legal provisions which govern modern co-operative societies. According to

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implies more than the group, more than action in common: it presupposes free and responsible persons who, in full exercise of their autonomy, have voluntarily joined together. *Individual autonomy and independence* are at once the precondition and the aim of *common action*.

On the other hand, this double origin of co-operative institutions entails the orientation of co-operative education in two different directions. In places where individualist civilisation prevails, its main task will be to engage individual wills in *actions of a joint character*. Conversely, in countries where commercial economy has not entirely destroyed the old social formations, in regions still impregnated with the community spirit, co-operative education will have to inspire in the individual a sense of *personal responsibility*.

So far from tending to suppress the economic independence of its members, co-operation aims essentially at strengthening it. But it seeks to attain this end of individual emancipation by the use of collective means. On the other hand, it teaches that the latter are efficacious only in so far as each individual takes part in the joint effort. If co-operation remains true to itself, it requires both the

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the custom of the "fruitières," every owner of cows, from the mere fact that he lived in the village, was bound to deliver his milk to the "fruitière," and some years ago a court recognised the validity of this obligation which it held to be based "on a custom in force since time immemorial."

But the "fruitières" now have the same legal structure and characteristics as the co-operatives dating from modern times. Membership in the "fruitière" is no longer imposed by village custom: it is a voluntary act.

individual effort of the co-operators and the union of their efforts, and it must bring these two factors into simultaneous and complementary action.

As Charles Gide put it in his *Principles of Political Economy:*

> " Co-operation adopts the double motto of ' self-help ' and ' each for all.' ' Self-help ' means pride in providing for one's own needs by one's own means, in being one's own merchant, banker, moneylender and employer. ' Each for all ' means the desire to seek freedom and salvation not for oneself alone, but for and through others."

In the course of a discussion of co-operative principles, Charles Gide also identified himself with the concluding phrase of this passage by A. Vinet: " I want man to be complete, spontaneous and individual, so that as man he may submit to the general interest. I want him to be master of himself that he may the better be the servant of all . . . *To give of himself, a man must be master of himself.*"

The following extract from Thomas Carlyle expresses forcefully the moral ideal of the co-operative movement*:

> " We must some day, at last and for ever, cross the line between Nonsense and Common-Sense, and on that day we shall pass . . . from *Competition in Individualism to Individuality in Co-operation* . . ."

The question of the relations between the individual and society was propounded a considerable time before the first co-operative institutions came into being. The special contribution of

* Quoted, because of its appositeness, by the *Canadian Co-operator* in its issue of December, 1925.

co-operation lies in this, that *it unites the individual with the collective on the economic and the moral plane at one and the same time.*

On the economic plane the co-operative undertaking is collective, but it is established on the basis, and for the advantage, of private and independent economic units. Similarly, on the moral plane, the social life of the co-operative is founded on joint action no less than on the development of individual independence and responsibility. Thus in the social as in the economic aspect of co-operation there is found the same complex duality—the individual and the collective giving each other mutual support.

The primary aim of the co-operative institution is the improvement of its members' economic position, but through the means which it employs and the qualities which it demands of its members and develops in them, it achieves a higher purpose. The goal of co-operation is to make men—men with a sense of both individual and joint responsibility, so that they may rise individually to a full personal life and collectively to a full social life.

Those whom co-operation brings together are united by a community of economic needs and also by a community of sentiment—a common conception of the rules of social and moral life. The result is that, while co-operative associations present themselves fully to observation and study by sociologists and moralists, they are partly overlooked by economists.

The intermediate commercial and capitalist economy, lying as it were outside the groups of people whom it dominates and dissociates, has gradually divorced the *economic* from the *social*, and has thus

given rise to those dry realities which have served as a model for the abstractions of economists.

Conversely, co-operative institutions, by restoring to those associated in them the functions taken over from the merchant, reintegrate the economic in the social. That is what they stand for in the mixed economy of today. In the measure that they grow and win a predominant place in the mixed economy of tomorrow, there will then be a scale of values quite different from that established by the predominance of capitalist forms.

V

State Control and Co-operation

Co-operation ends the isolation of the little units and activities which form the basis of social and economic life. They form part of a body of institutions which are linked together or tend to link together and to co-ordinate their efforts.

Achieved by concerted action, this body of institutions in which the mutual relations of the component elements are consciously established—constitutes a type of organised economy. But the economy organised by co-operative effort differs profoundly from other forms of organised economy, either existing or projected, both in the nature of its basic elements and by the manner in which its parts are disposed in relation to each other.

Its basic elements are the little economic units and activities in which man is engaged on his own and with the members of his family. They belong, as has been shown,* to the initial and final zones of the economic process.

In the second place, the whole structure of co-operative organisation is a federative one. And it is a noteworthy fact that, whether the political constitution of the countries in which co-operation has developed be unitary or federal, the latter has always chosen the federative type for itself.

Even inside the local society the co-operative bond is federative. It associates the autonomous

* See pp. 38 and 39.

units without absorbing them. From the start it respects and later tends to strengthen in each member his individual independence and sense of his own responsibilities.

Next, co-operative organisation brings into play at every stage the same principles of responsible autonomy and freely accepted discipline. The local society is not the final administrative sub-division of a centralised body. If it erects above itself higher stages, the latter are meant to work for it and under its control just as the society itself is working for its members and under their control.

Being federative, co-operative organisation is not obliged to conform to any predetermined scheme in its development. It is less a planned construction than an organic growth in which each new creation and each new stage is conceived and accomplished only as a function of needs arising out of earlier developments and at the cost of renewed inventive effort.

Co-operative organisation tends to be self-sufficient, either by pushing its integration upward towards sources or downward towards markets as far as possible, or better, by working to establish organic relations between the different forms of co-operation and thus satisfy the supply needs of some societies by the marketing needs of others on a mutual basis.

However, despite its efforts to establish a self-contained system, co-operative organisation remains an open system exposed at all its stages to the outside economic world. So apart from its internal organisational problems which begin with its basic

units, co-operation also has external problems of its relationships with the other forms of economy.

These latter problems have become particularly complex. They no longer present themselves in the simple terms of the past, when on the one hand capitalism made competition its fundamental law and on the other hand State intervention in the economic sphere was limited.

We are getting further and further away from these simple conditions. But since the pace varies from country to country and in the different branches of production and since the organisation of capitalism and State control of the economy assume a variety of forms, it is difficult to form a clear view of the immediate future.

In face of these shifting realities, action must always be to some extent empirical. But if its efforts are to have full efficacy, the Co-operative Movement cannot do without a general line which will at once guide action and stimulate inventiveness to meet the changing circumstances. It should in particular—and now more than ever—take its stand in regard to the measures and systems which involve the intervention of the public authorities in the organisation of economic life.

Once co-operators, taking a positive view of the realities of the past and present, accept the notion of mixed economies and reject the abstract idea of pure economies, and once they are persuaded that economic evolution occurs as a succession of mixed economies of varying composition, then they can have no fundamental objection to the measures which the public authorities may decide on to ensure

either the operation of public services or the over-all regulation of economic life. They may even recognise with satisfaction that the aspirations behind these measures link up with their own efforts to substitute the notion of organised service for that of struggle for profit and domination.

Co-operators can give their support to transitional forms intermediate between public action and co-operative action: State and municipal service undertakings and delegation of functions of public interest to co-operatives.

They can also find in public action an effective means of controlling those parts of the economic process which are strongly held by the capitalist economy and can be captured by the co-operative economy only with difficulty or not at all.

They have nevertheless certain demands to make. If, for instance, the control of the public authorities is exerted on the *central zone*—the capitalist zone—of this or that economic process, co-operators will naturally expect that with the *employers*, the *workers* employed by the latter should be represented, and they will encourage the workers to rise above the status of wage-earners by organising their work in independent and responsible co-operative groups.*

But their essential claim as co-operators is that effective protection should be given to the interests of *the economic units and activities preceding and following the controlled zone*. For these units and activities at the initial and final extremities of the economic processes are, generally speaking, those which *co-operative organisations* group together.†

* See p. 49. † See pp. 38 *et seq.* and Diagram I, p. 126.

The danger is that co-operators, thinking to find in public action another and shorter road towards their goal, may be tempted to forget that the efficacy of compulsion is limited and that it is exactly where compulsion fails that co-operation succeeds and introduces, in addition, human and moral values.

Since it depends more on men than on things, the progress of co-operation is necessarily slow. It requires a patient labour of education. But in the sphere of social and economic life, which is co-operation's own, there is no shorter or easier road to salvation.

Co-operation's special task, of which it alone is capable, is first to gather the innumerable little units of household economy and of peasant and handicraft economy and to group them into first-degree societies based on the ties of neighbourhood and similarity of needs. Next it has to group the first-degree societies in federative organs of the second and third degrees for the satisfaction of their common needs. After that the problem will be to link the co-operative economy in its highest branches to the organs of the centralised economy which have developed in the opposite direction.

The picture thus emerges, sketched in very simple lines, of a general economy in which State-controlled organisation and co-operative organisation, after developing and advancing towards each other, at length meet and combine.

This meeting of *two systems* is at the same time a meeting of *two principles.*

State organisation, starting from on top, is remote

from the concrete realities of life, which present themselves to it only as approximations in the frame of averages and aggregates. The State counts heads, but knows nothing of persons.

Co-operation, on the other hand, organised from below upwards, first of all groups the little units which are close to the individual person and are identified with him. It is in them that the fundamental needs of the person originate and find expression. By establishing the sovereignty of these little units, co-operation locates the origin and exercise of power at the very origin of needs; man then remains his own master, and the organisation is his servant.

Whatever the régime exercising power, the State is necessarily and by its nature coercive. If it were to invade the whole of economic life, man would be subjected to the most frightful of tyrannies. But fortunately there are good reasons for dismissing, on the ground that it is impossible in practice, the hypothesis that the State will absorb all economic activities into a single monstrous organisation.

The State may certainly claim to watch over the interests of the community at large, to take general measures for their protection and to set up such bodies as it may deem appropriate to its purposes. But precise observance of the measures enacted is inversely proportional to the number of individual wills concerned and to their distance from the centre from which the enactments proceed.

It will therefore be in vain if the State is tempted to extend its measures of restraint to the innumerable elementary cells of social life. The experiments multiplying before our eyes show that no sooner

does the State undertake the organisation of the economy than it has to recognise itself the limitations of its own power and competence.

The State must accordingly sooner or later learn from experience that it has to seek assistance of a kind which will compensate for the dissipation of its own power. It cannot find such assistance except in the many different forms of co-operative organisations which draw their strength precisely from the quarters where State authority is reduced and attenuated by the time it reaches them.

And co-operation, even though it may at first have been oppressed or misunderstood, can respond to the appeal of a State which makes a reasonably moderate estimate of what it can effectively achieve by its own means.

Co-operative organisations, by virtue of their federal structure with its hierarchic arrangement of their elementary units, offer the State—if it cares to avail itself of them—a chain of relay stations between the centres which direct the economy and the depths of social life.

The liaison so established is a flexible and not a rigid one, which not only assures the transmission of directives coming from above, but permits errors in them to be corrected and reduced. The equilibrium of the *laisser-faire* economy was assured, at least in theory, by the automatic reactions of the market: the managed economy may hope to find a similar regulative action in the free play of the elements grouped federally in co-operative organisations.

Without its own virtues being impaired—and indeed thanks to them—co-operation can thus easily

be associated with a partially centralised economy of a reasonable kind.

By retaining its own identity it will be able to continue its development from below upwards. Stage by stage it will be able to push closer to the top its points and level of contact with the authoritarian economy and to lighten the weight of the latter as it does so. In this way it will enlarge its own sphere—the sphere of social life where for the common good man preserves enjoyment of his freedom with a proper sense of his responsibility.

PART II

Further Development

I

The Origins of Co-operative Institutions

THE invention of co-operative institutions has been—and still is—often attributed to Robert Owen in England and to Charles Fourier in France.* While the ideas of both these men doubtless played an important part in what might be termed the co-operative vocation of certain of their followers, the co-operative institution was born without waiting for the influence of these great "utopists" to make itself felt. An invention of the people, with necessity for its mother, it appeared before they did, and the rules governing its operation gradually took definite shape through a long process of trial and error.

Certain of the co-operatives found in rural and agricultural areas are connected, through a long process of evolution, with the village communities of the distant past. This is the case, for instance, with the *fruitières* (co-operative cheese factories) of the Jura.† The rest owe their origins exclusively to modern conditions of agriculture. They have developed since the time when peasant economies became increasingly dependent on the commercial economy, either for the satisfaction of their credit

* On the relations between Fourier and the co-operative achievements of his followers, see JEAN GAUMONT: "Discours prononcé devant la statue de Charles Fourier" in *Revue des Etudes Coopératives*, January–March, 1938.

† See note 1 on p. 42.

needs and that for fertilisers, seeds, implements and other requisites, or for the sale of their products in near or distant markets.

The co-operatives of urban and industrial areas (handicraftsmen's and workers' productive co-operatives, consumers' co-operatives and housing co-operatives) originated and developed first in Great Britain from the last third of the 18th century and then, during the 19th century, in other countries, where it followed their rhythm of industrialisation.*

Consumers' Co-operation is generally made to date from the establishment of the Rochdale Society of Equitable Pioneers in 1844. However, the researches of William Maxwell, J. A. Flanagan, Karl Munding, Hans Muller, T. W. Mercer and Percy Redfern, and the documents published by the *Co-operative Educator* have added greatly to our information on the pre-Rochdale period of the Co-operative Movement in Great Britain. This

* Since industrialisation began, the workers have striven to improve their lot in three different directions:

- (i) Struggles to increase (or maintain) wages and to improve working conditions—through trade union and legislative action.
- (ii) Efforts to escape from the wage system—through:
  - (*a*) workers' sub-undertakings (co-operative groups, labour contracting co-operatives) and
  - (*b*) workers' undertakings (workers' productive co-operatives) and
- (iii) Defence of the right to dispose freely of their wages and maintenance of purchasing power—through:
  - (*a*) prohibition of the truck system and of holding back of wages by employers, and
  - (*b*) co-operative action whereby workers' households group in consumers' co-operatives and housing co-operatives.

period covers more than eighty years and is itself divisible into two phases—the pre-Owenite and the Owenite.

To the Owenite period belong the activity of such Scottish co-operators as Alexander Campbell, the influence of Dr. King's *Brighton Co-operator* and the first co-operative congresses of 1830 to 1834. During this period a number of co-operatives spring up which have as their object the establishment of autonomous colonies of the Robert Owen type. These devote the proceeds of their business to the purchase of lands and the setting up of integral communities in which their members will find employment.*

But behind all this co-operative activity directed towards Owenite ends lay a more profound, though less spectacular, movement, whose beginnings in the last third of the 18th century coincide with those of the industrial revolution itself.†

* The societies founded with the purpose of establishing Robert Owen's "villages of co-operation" included the word "co-operative" in their name (just as in France the co-operatives set up by the followers of Fourier called themselves "community" bakeries, "community" grocers' shops, etc.). Later the term lost the doctrinal significance it once had. Cf. an article of the author: "Coopération, Coopératives : d'où nous viennant ces mots." (*Le Cooperation Suisse*, 7 September, 1949, and *Revue des Etudes Coopératives*, November-December, 1949.

† As early as 1760, the workers in the Woolwich and Chatham dockyards began to obtain their flour supplies from flour mills established and managed by themselves. In 1761 an interesting co-operative was founded at Fenwick in Scotland, by weavers working at home. They originally associated for the joint purchase of combs and other requisites of their

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These older co-operatives, originating in a spontaneous defence reaction of the working classes, have attracted less attention than the Owenite co-operatives, yet it was their accumulated experience which the Rochdale Pioneers were later to incorporate in their rules and practice. While most of the Owenite co-operatives enjoyed only a brief existence, more than fifteen of the pre-Owenite co-operatives are now more than one hundred years old.

A custom is not like a sudden revelation, complete and definite from the start. It takes shape gradually as the result of tradition and adaptation, and " co-operative rules " and " co-operative customs " arose in the same way.*

The Rochdale co-operators' great merit is that, in the rules which they adopted, they codified, so to speak, the practices found most successful in the accumulated experience of the co-operators who came before them, and that they managed their business with much practical common sense. Owing to their success their society became the model on which the consumers' co-operatives in all countries were based. G. J. Holyoake's *History of the Rochdale Pioneers* has had a very great influence on the development of co-operation in Great Britain, and,

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craft. After a while—in 1769—they decided to buy foodstuffs jointly as well. The Govan Victualling Society, dating from 1777, lasted until 1909, when it was absorbed by the Kinning Park Society of Glasgow.

* Cf. "Formation et consolidation de la Coutume Coopérative", in the author's *Regards sur le Mouvement Coopératif*, Basle, 1949.

through its numerous translations, on that of Consumers' Co-operation in other countries.*

* On the proposal of Charles Howarth, one of its founders, the Rochdale Society from its inception decided to distribute surpluses in proportion to purchases, and the co-operative patronage dividend or refund is included among what are commonly known as "Rochdale principles." But it should be noted that the rule whereby surpluses are distributed in proportion to purchases had already been thought of and applied by older societies such as the Lennoxtown Friendly Victualling Society, which was founded in Scotland in 1812, and the Meltham Mills Society in England, dating from 1827. Both these societies—the former in 1826 and the latter in 1840 or earlier—adopted the rule of the patronage dividend. The two societies are still in existence.

II

The Two Component Elements of the Co-operative Institution

As briefly indicated in Part I, there is good ground for distinguishing two elements in the co-operative institution: the *Association*, or social element, and the *Undertaking*, or economic element.

It is proposed in the following pages to show first that the co-operative undertaking *per se*, that is, detached by the process of thought from its supporting association, forms part of a more general category of undertakings which will be designated *service undertakings* in contradistinction to *profit undertakings* typified though not exclusively by capitalist undertakings.

First it will be shown in what way capitalist, and more generally, profit undertakings differ from co-operative and, more generally, service undertakings.

After that it will be necessary to distinguish co-operative from other service undertakings—by specifying what are the characteristics peculiar to the *Co-operative Association*.

* * * *

A. *The Co-operative Undertaking and its Characteristics qua Service Undertaking.*

To note that a peasant turns to a dairy society for marketing his milk or that a housewife goes to a bakery for her bread is tantamount to observing that in either case there exists a direct and concrete relation between the particular object of the undertaking

(dairy society or bakery) and the particular needs of its patron (the peasant or housewife). There is the same correspondence between the trade of a typographical worker and the particular object of his employer's industry.

On the other hand, when a capitalist—large or small—has decided to buy shares in some company on the strength of a Stock Exchange quotation, what has induced him to do so is not the particular object of the company, but the estimate he has formed of the security offered by the investment and of its yield. Given equal security and equal yield, shares in an undertaking with an entirely different object would suit him just as well. He may even acquire shares in undertakings in total ignorance of their location or particular object, provided he has the expectation of a high yield at a risk judged to be moderate.

The peasant, the housewife and the typographical worker can be termed the "users" of the dairy society, the bakery and the printing works respectively. And these instances show that it is possible to be the user of an undertaking, that is, related to it through its particular object, on three different footings, according as the service required from the undertaking is one of marketing, of supply or of employment.

The term "user" or more accurately "user of an undertaking," does not imply any other notion than that of direct correspondence between the particular object of the undertaking and the particular nature of the needs which the latter, by reason of its object, is able to satisfy. In this sense, the "user" may be not an individual person, but an undertaking or a public or private body.

Every undertaking must of course have a particular object answering certain pre-existing needs or needs which it endeavours to create. No undertaking could be maintained—or even conceived—in a commercial economy, unless suppliers, purchasers or workers obtained from it—precisely by virtue of its particular object—satisfaction of their own marketing, supply or employment needs as the case might be. But in a capitalist undertaking satisfaction of the users' needs, though it may be a condition of its operation, is not its purpose. It is not there to serve these needs for themselves: it utilises them.

This is not so on the other hand, in the co-operative undertaking, in which the aim directly pursued is provision of the service expected of it by the users. Having created the undertaking by their own efforts and at their own risk, they assign to it the particular object corresponding to their needs.

According to the nature of the co-operative business carried on, such users belong to one or other of three categories already indicated: user-sellers, user-purchasers, user-workers.*

* Certain co-operatives satisfy two categories of users at once. Examples: (*a*) mutual credit co-operatives in which certain members are savers while others are borrowers and in which the same member may be successively a saver and a borrower or *vice versa;* (*b*) mutual marketing and supply co-operatives, such as the beef rings in Canada, where each member in turn supplied a carcass for division among all the members; (*c*) rural co-operative bakeries which provide bread in exchange for their members' flour; (*d*) joint undertakings of consumers' and agricultural co-operatives; (*e*) workers' productive co-operatives in which consumers' co-operatives participate, etc.

Henceforward in this study the term " service management " may conveniently be applied to the management of any undertaking having as its direct object the satisfaction of one or other of the categories of users of the undertaking and the term " profit management " to the management of undertakings whose direct object is the fructification of the capital invested by the entrepreneur.

Thus two categories of undertakings are to be distinguished, according to the ends pursued in their management: *service undertakings* and *profit undertakings*.

Included in the category of " profit undertakings" will be not only *capitalist undertakings* but all others established and operated for the sake of the gain to be derived from them. Instances of the latter are industrial or commercial undertakings of the State or of municipalities run for revenue purposes, even though the profits from them may indirectly, through the disposition made of them in the general budget, return wholly or in part to the users.

Undertakings set up and managed by a group, party or association for obtaining funds other than those contributed by the members will also be " profit undertakings."

The category of "service undertakings" includes, besides *co-operative undertakings*, those created by the State, municipalities or other public bodies to provide services of general interest; it also includes the public or semi-public export or import boards established by some States, the protective associations—whether voluntary or compulsory—of property owners, as well as auxiliary undertakings, such as sales and purchasing agencies, set up by

capitalist undertakings for satisfying their marketing or supply needs.

Under the same heading may also properly be placed such undertakings as the philanthropic housing societies which endeavour to provide low-cost housing and certain associations formed to market the products of small rural industries. These, though not controlled by their users, operate in their direct interest and their management is consequently a "service management."

The distinction drawn between "profit" and "service" undertakings implies more than a difference in the parties to benefit from their operation. As will be seen later,* it involves different acts of management.

For the moment we shall state the rules which establish the difference between the economic rights and duties of members of co-operative societies and those of shareholders in capitalist companies. At the same time it will be shown that the different rules are directly derived from the opposite notions of "service management" and "profit management."

* * * *

In any undertaking, the profits formed—at whatever moment they are assessed—are related to the business done during the financial year. They are technically and economically bound, in time, to the business from which they arise. But in the accountancy of the capitalist undertaking this relationship is broken at the year's end. The sum total of the profit is then detached from the business done in order to be related to the capital. It is not even related to the whole capital employed, but only to

* Chap. IV, p. 88.

that part of it which has been subscribed and risked for the very purpose of gaining a profit. The efficiency and productivity of the undertaking are measured by the relation existing between the total gain and this capital. And it is the share of capital risked by each shareholder which determines his rights—particularly his right to a share of the profit.

In the co-operative undertaking, on the contrary, the fundamental relationship between the undertaking and its members is not that of *gain to capital risked*, but that of *service to user*. Consequently the efficiency of the co-operative undertaking is measured by the quality and cost of the service rendered. And the economic rights and obligations of each member of the co-operative undertaking are measured by the extent of his *participation in the undertaking's business*.

Hence arise the rules regarding participation in surpluses in proportion to the business done with the undertaking which dominate all the economic relations of the member-users with it. These rules have been developed by co-operative custom and are therefore often regarded as characteristic of co-operative societies. But as they are bound up with the nature of service undertakings, they can be found, as will be shown,* in other undertakings of this kind besides co-operative ones.

These rules are not always strictly applied but departure from them is only made when simplification would result and when their effect is practically negligible.

Members' Right to Surpluses. Though the aim of

* See p. 74.

co-operative undertakings is service, the cost of which they try to reduce, it is enough that the undertaking should be run in a way that avoids loss for a surplus from its business to be shown at the end of the financial year.

If for no other reason than to protect itself against possible errors, the co-operative—assuming it to be a *supply co-operative*—will distribute goods to its members at a price which allows a margin of profit. Similarly, a *marketing co-operative* will pay its members a lower price for the products they deliver to it for marketing than the one it expects to obtain from their sale. A similar precaution will be taken when fixing the wages paid by a *labour co-operative*. But the prices paid by members of supply co-operatives, the payments on account made to members of marketing co-operatives or the advances on account of work done in a labour co-operative only represent a *provisional settlement* which will be adjusted at the end of the accounting period by a distribution of the surpluses in proportion to the business done by each member with his society.*

Thus in the co-operative undertaking the connection between the formation of surpluses and the

* In their retail trade consumers' co-operatives generally charge the prices current in private business, and in this case —assuming the undertakings to be equally efficient—their surpluses correspond to the profits of the private retail trader. But the co-operative method of distributing surpluses makes it possible for co-operative societies to fix their sales prices either above or below those charged in private trade, according as the members prefer to get the co-operative advantage straightaway, or, on the contrary, to effect a savings for the future by paying high prices which will make the patronage dividend (or refund) larger.

business done is not broken at the end of the accounting period as it is in the case of the capitalist undertaking and, more generally, of all "profit undertakings." On the contrary, it is expressly confirmed by the very method under which surpluses are distributed in proportion to the business done.*

The rule of proportionality applied to the distribution of surpluses can be followed, if necessary, in the distribution of losses.†

Members' Financial Obligations. Some co-operative societies are formed without a share capital or shares, all the necessary funds being solicited in the form of a loan which will later be redeemed.

* The strictness with which the rule regarding the distribution of surpluses is applied varies according to the type of co-operative. In the agricultural processing and marketing co-operatives there are generally as many accounts kept (called "pools" in the United States and Canada) as there are categories and qualities of products delivered to them. Each such account gives rise to a separate final settlement. In consumers' co-operatives a single uniform rate of patronage dividend is fixed for each financial year and different rates of mark-up on the various goods sold are ignored. However, some co-operatives allow no refund on purchases of goods having a mark-up clearly below the average. It should also be mentioned that certain societies only permit their members to share in any surpluses when their purchases reach a certain minimum sum and consequently only pay a patronage dividend on purchases of each member in excess of such sum.

† An instance of this is the decision taken by the Alberta wheat pool when it found itself in 1930 in the position of having distributed to its members, in respect of the 1929 crop, sums greater than the price actually received owing to collapse of the market. It was decided that in the following years each member should pay his share of the deficit in proportion to the number of bushels of 1929 wheat he had delivered to the co-operative.

The fact that co-operatives can thus be set up and operated without capital properly so-called gives a clear indication of the position and role of capital in a co-operative undertaking.

In the capitalist or "profit undertaking," capital is at the root of the concern; it is for the sake of the capital and its increase that the undertaking came into being and operates and it is to the capital that are attached all the rights and responsibilities, the profits as well as the risks.

On the other hand, in the co-operative undertaking and, more generally, in the "service undertaking," capital is an instrument at the service of the users jointly. If they provide capital, they do so not by way of investment (though they may receive a limited interest), but as part of their obligations. Accordingly, if the co-operative machinery is to be really exact, this contribution will be in precise proportion to the extent of the services required by the users from the common undertaking.

Thus in most agricultural processing and marketing co-operatives, each member has to subscribe a number of shares determined by the actual or probable extent of the services he requires from the common undertaking. In a co-operative dairy, for example, the number of a member's shares will be proportionate to the number of his cows; in a co-operative wine-cellar, to the acreage of his vine-yard.

Similarly, in most housing co-operatives the number of shares each member has to subscribe is proportional to the size of the dwelling allocated to him.

For practical reasons of simplicity and also perhaps because of the burdens falling on large families,

consumers' co-operatives only require each member to subscribe a single share.* But it is to be noted that the portion of the surplus appropriated to the society's reserves represents a deduction from the amount available for distribution as patronage dividends. Accordingly each member contributes to the formation of reserves proportionately to the business transacted by him with the society.

The same result is obtained in the marketing co-operatives of Denmark, the United States and Canada by the device of individualised reserves.†

To guarantee the loans made to a co-operative society and its debts in general, the members must assume liability. Such liability may be related to the subscription of shares or may be independent of it. In many rural co-operatives the members are liable to the full extent of their property.

In the agricultural co-operatives of Denmark, where the co-operative rules almost always find their most precise application, the liability of members is proportional to the extent of their participation in the common undertaking. The Danish co-operative dairies, for instance, have no shares, and the liability of each member is made proportional to the amount of milk delivered by him to the society.

* Under the rules of the Darvel Co-operative Society, founded in 1840 in Ayrshire, Scotland, by weavers, the members had to subscribe whole or half shares depending on the size of their family. Members with whole shares were entitled to make purchases totalling eight shillings per week, while holders of half shares were limited to four shillings. (William Maxwell, *History of Co-operation in Scotland*, 1910, p. 87).

† See p. 78.

The rule which makes the right to surpluses and the financial obligations of members proportional to the business done by each ensures—to the extent that it is strictly applied—exact correspondence between what the member gives to the society and what he takes from it, and *vice versa*. Any other rule would lead to an inequality among members as regards the prices paid for the services rendered.

Limitation of Interest on Shares. When a co-operative undertaking has to raise loans, it naturally has to give to those who subscribe such loans—whether members or non-members—interest, the rate of which will depend on conditions in the money market at the time and on the security offered to the subscribers. The co-operative is subject to this *de facto* obligation just like any other borrower of money. But a quite different question arises regarding the interest to be allowed on the compulsory share holding, i.e., on the capital which the members have to contribute to the common undertaking as part of their statutorily defined obligation.

It is first of all to be observed that if interest is allowed on share capital, it forms part of the cost of the services rendered by the society and the members consequently bear the burden of it in proportion to the services they require from the common undertaking. It will be seen, then, that it is a useless complication of the accounts to give interest on shares when each member has to subscribe for them in numbers proportioned to the services he calls on the society to render.

Even apart from this case, if the statutory requirement is only a single share of an amount representing but a small fraction of the financial resources

necessary to provide the service, the abolishment of interest on this compulsory share will not violate any equitable principle. For there is a minimum financial contribution which every member should make.

The co-operative rule does not, therefore, require that interest should be paid on the contributions made by members as part of their obligation: it merely implies that *if interest is paid*, it should be limited. Its whole and only purpose is to exclude a capitalist division of surpluses.

* * * *

B. *The Co-operative Association.*

The next problem is to differentiate co-operative from other "service" undertakings. From the instances already given, it is evident that the distinction between the different types of "service undertakings" must be looked for in the nature of the entrepreneur, as is also the case with "profit undertakings."

Thus the latter include, besides undertakings depending on a private body of shareholders, revenue-earning undertakings of public bodies. The same principle of classification applied to "service undertakings" makes it possible to distinguish the following four groups:

(1) Service undertakings depending on *public bodies* (State, municipalities, etc.), but which may be organised and managed in a variety of ways (direct administration, autonomous public boards, "public co-operatives"* etc.);

(2) Service undertakings depending on *bodies private in nature but compulsorily established by the public authorities*, such as the authorised

* In French—" régies coopératives."

property owners' associations under French law, the Spanish joint irrigation associations, the Belgian and Dutch drainage syndicates (*wateringues*) etc.;

(3) Service undertakings depending on *philanthropic societies and associations*, where those responsible for the undertaking are not the same as the persons for whose benefit it has been established;

(4) Service undertakings distinguished from the foregoing by the fact that they are established and managed by their *users in free association.*

Co-operative undertakings fall in this fourth category, but they are not the only ones in it and a final distinction has to be made. Other groups of a free and private character like co-operative associations, but having a different composition, can set up " service undertakings."

As will be seen, the difference in composition of these groups and of co-operative associations involves different rules governing the mutual relations of the users, particularly as regards the fixing of their rights in general meetings. But since co-operative undertakings and the undertakings of such groups are alike " service undertakings," one must expect to find that they both have *the same rules of an economic character*—rules arising out of the relation of service to user.

A case in point is the *Flax Supply Office of the Belgian Spinning-mills*, which makes the rights and duties of the affiliated mills proportional to the number of their spindles.*

* Founded in December, 1918, among a score of industrial firms, the *Flax Supply Office of the Belgian Spinning-mills* adopted

[*Continued at foot of next page*

Rules based on the same principles are found in the unions formed among gasworks for securing their coal supplies or for marketing their coke. Mention may also be made of the *Union of Consumers of Metallurgical Products* which owned and operated the Hagondange steelworks to supply its affiliates with steel and other products.*

More generally, the economic rules of "service management" will be encountered in cartels and

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as its principal object " the purchase and sale of flax, tow, hemp and jute, and, in general, of all materials necessary or useful to the supply and operation of the affiliated factories." Its statutes provide that (1) the capital shall consist of an indefinite number of shares of 15 francs, subscribed by each mill on the basis of one share for each spindle (this provision made the society one with a variable capital, i.e., a " co-operative society " under Chapter III of the Belgian law of 1873), (2) the general meeting shall consist of all the members and their voting rights shall be proportional to the number of their spindles, and (3) the profits and losses shall be divided among the affiliated members in proportion to the number of their shares.

* The Union was founded in 1920 and acquired by adjudication the Thyssen factories at Hagondange. Article 3 of its Statutes provided that the society was " established to assure, as far as proper utilisation of its installations permit, the supply of metallurgical and other products derived from the society's works at prices and on conditions fixed by the governing body, first provisionally and later definitely as hereinafter provided.

" It is expressly agreed that no shareholder shall have any claim to products other than those intended to be transformed in his own enterprise or in one of his subsidiary enterprises, or else by a sub-contractor of his or another member of the society. However, in the latter alternative, the sub-contractor or fellow member must not use such products except on

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sales and purchasing agencies, so that it is not unusual to find the rules followed by co-operative societies applied in "service undertakings" established and managed by these groups of capitalist undertakings. Such rules, for instance, as the payment of only a limited interest on share capital, the obligation on each user to contribute to the raising of capital in proportion to the extent of his patronage of the undertaking, and the same principle applied in determining his right to surpluses.*

[*Continued from previous page*

account of the shareholder or on the joint account of the shareholder and of his fellow consumers in the society.

"It is forbidden to deal with any product in the ordinary way and to contemplate making a profit either directly or indirectly by simple transfer of the society's products, so that a shareholder shall have no claim to products in excess of his own needs.

"A shareholder's maximum purchase right shall bear the same proportion to the total trade of the society as his share in the capital bears to the total capital.

"The governing body shall, at the end of each financial year, fix the definite price to be paid by the consumer-shareholders for special products delivered to them up to the maximum amount provided for above."

Article 14 provided that each share entitles the shareholder to a share in the assets and in the division of profits proportional to the total number of shares issued and, under Article 36, each member has as many votes at the general meeting as he has shares.

* It matters very little that profits are distributed proportionately to the number of shares held, both in the *Flax Supply Office of the Belgian Spinning-mills* and in the *Union of Consumers of Metallurgical Products*, since in both cases the Statutes provide that the share holding of each member shall be proportional to the business done by each member with the common undertaking.

It will also be observed that these capitalist groups, like Belgian and French co-operative societies, are legally constituted as "*sociétés à capital variable.*"

* * * *

But it should not be concluded that because there are certain similarities between such groups and co-operative societies, the two are identical. It will be observed that socially and economically the group engaging in the undertaking in such cases is of a different nature from that found in co-operative societies. The latter group not capitalist undertakings, but the small economic units and activities of private economy, in which the personal or family element is predominant. This difference in the character of the participants in the two types gives them a different place in general economic and social life.

Unless this distinction and its importance are appreciated, it is impossible to understand properly certain rules universally adopted by co-operative societies and regarded by them as essential.

In co-operative societies all members enjoy the same voting right. This right is a personal one and is consequently independent of all quantitative considerations, such as the amount of capital subscribed or of business done with the common undertaking. On the other hand, when the latter is dependent on a group of capitalist undertakings, voting rights are proportional to, and determined by the same rule as, the economic relations of the members with their undertaking. For instance, in the Flax Supply Office of the Belgian Spinning-mills, each mill is represented at general meetings in proportion to the number of its spindles.

Accordingly, in groups formed among capitalist undertakings the *economic* factor, which is alone taken into account, introduces quantitative considerations even into the general meeting where rights are apportioned on this basis. In co-operative societies, on the contrary, though the *economic* factor necessarily governs the undertaking and the use to which it is put by the members, it yields place to the *social* factor where the mutual relations of the latter are concerned. All quantitative considerations then vanish in face of the postulate of equality of rights attaching to the person. Every man is held to be of equal dignity with his fellows.

* * * *

As a general rule co-operative societies increase their resources year by year by placing a part and sometimes the whole of their surpluses to reserve. The reserve thus formed assures the financial stability of the undertaking and helps its expansion.

These reserves originate in such a way that each member participates in their formation in proportion to his business with the society. In some cases they are "individualised," that is to say, each member maintains a right to these reserves in proportion as he has contributed to their formation. Such an individual right may be attested by the issue of certificates, which, when the reserves have reached a high enough level, are paid off—beginning with the oldest—*pari passu* with the replenishment of the reserves through new appropriations of surpluses. Redemption of the certificates amounts simply to a *deferred payment* of surpluses due to the members in proportion to their business with the common undertaking.

When reserves are not individualised, a collective fund is formed and the question arises how this is to be disposed of in case the society is dissolved.

Division in proportion to members' business with the society would take into account the extent to which each had participated in the formation of the reserves. But generally speaking, the society's accounts, particularly if it is an old one, will not provide all the data necessary for such a proportional division. Some societies provide in their rules for division on a *per capita* basis, but the more usual provision, found in most model rules issued by federations and sometimes in the law of the land, is that of third-party transfer, whereby the net assets, after payment of all claims, are devoted to some public purpose, or, more particularly, to the Co-operative Movement as represented by the co-operative union or central business organisation of the country concerned.

This third-party rule in the division of assets stresses the moral and social character of the co-operative institution. Not only does it prevent a speculative spirit arising in regard to the value of the shares, which will never be redeemed at a price higher than their nominal paid-up value, but its adoption is equivalent to a declaration by co-operators that beyond their individual interests, beyond even their common interests with their direct associates, they recognise an interdependence of themselves and other like groups. In other words, they thereby affirm that they belong to a "movement."*

* * * *

* Cf. an article by the author "Co-operative Principles and their Application to Reserves," *Review of International Co-operation*, August, 1937.

As we have seen, the co-operative rule regarding the division of surpluses is explained by considerations of a strictly economic order and can therefore be applied to the auxiliary undertakings of capitalist groups. The rule could be deduced from the behaviour of *homo economicus*. On the other hand, when we come to the mutual relations of co-operators, the total personality is involved. Social man is concerned, linked to his fellows by a whole series of bonds other than purely economic ones. Hence the rule of equality between the members of the association and the general practice of devoting a part of the annual surplus to educational or social purposes. The full import of these rules and customs can only be conveyed by evoking all the tendencies and aspirations of the social milieux in which co-operative institutions originated and have developed.

These milieux are, first, those of workers and handicraftsmen, who from about 1760 in Great Britain and somewhat later in other countries felt the effects of the industrial revolution, and, secondly, the rural areas where the conditions of economic and social life have undergone profound modification as the result of peasant economies becoming steadily more and more involved with the commercial economy. The development of co-operative institutions tends to associate and has in fact associated the small units of household economy and of handicraft and peasant economy in common undertakings under " service management." These institutions—particularly their more developed types—have discovered and applied very precise rules of " service management " in the economic relations between

the undertaking and its users. They have also regulated the mutual personal relations of the members in accordance with equalitarian principles borrowed from popular conceptions of right.

Uniting economically weak persons, they mitigate the harshness of economic relations by customs of mutual aid and solidarity, but at the same time evoke personal effort and a sense of individual responsibility.

Finally, they do not remain isolated. They have established common undertakings which carry a stage further—whether towards sources of supply or towards markets—the integration already achieved by the primary co-operative undertaking. They have also come together in non-economic federations for purposes of education and defence, and to ensure the spread of the "Movement" which they represent.

The notion of a co-operative institution has to include and evoke this whole complex conjoined with a certain economic and social structure and a particular stage of civilisation. In other words, it is useless to wish to define it in simple economic terms. A legal definition would cover more numerous aspects, but for full understanding of it the whole body of the sociological sciences has to be taken into account.

III

The Application of the Rules of Co-operation

A. *Rules of Proportionality Arising from the Relation of Service to User.*

These rules have been explained in the preceding chapter.*

B. *The Rule of Personal Equality.*

The rule of " one man one vote "† is only applied strictly in primary co-operative institutions composed of physical persons who are socially deemed to be equals.

In secondary institutions such as unions of societies, the same rule may be indirectly applied by allotting to each primary association a number of votes proportional to its membership. However, when the federal principle recognises the individuality of each of its federated units, they may be given equal rights of representation. More usually, a compromise between the two systems will be adopted by which the federated units are accorded a degree of influence mounting with their membership but less rapidly than if it were strictly proportional to it.

It was pointed out that in capitalist groups which have set up " service undertakings " the *social rule* of equality applied by co-operative associations is

* Right to surpluses: see p. 67; Financial obligations: see pp. 69–70 (subscription of shares), pp. 71–72 (liability); and pp. 78–79 (individualised reserves and collective reserves). As regards interest on shares, see pp. 72–73.

† See p. 77.

replaced by the *economic rule* of representation in proportion to business done with the undertaking. This economic rule is also to be found in secondary co-operative institutions, when their function is exclusively or essentially economic. It is applied, for instance, in the meetings of the English Co-operative Wholesale Society. When this is the case, it may be said that it is the " undertaking " element in the co-operative institution and not the " association " element which is a member of the secondary body.

C. *Voluntary Membership.*

Reference has been made to the existence, beside undertakings dependent on public bodies, of those which depend on private bodies but are compulsorily established by the public authorities. To the instances already given may be added organisations which the public authorities are legally empowered to make compulsory at the request or with the assent of a given majority of producers in order to regulate the marketing of some product. Such laws are found in Australia (Queensland), in other British Dominions and in Great Britain itself.*

In these cases voluntary membership, one of the characteristic features of the co-operative, has disappeared. However, the nature of the institution will not be essentially altered in other respects, if the remaining basic rules of co-operation are adhered

* These laws compel minorities to submit to rules judged necessary by the majority of those concerned. They may be compared with the laws relating to the consolidation of holdings, with compulsory industrial agreements, and with the extension of the terms of contracts made between workers' and employers' organisations to workers and employers outside them.

to—if, among other things, the members keep their managerial freedom and its accompanying responsibilities, and if the organisation as a whole retains a federative structure—one working from below upwards.

There would in fact be a similar situation without legislative interference if a consumers' co-operative, for example, were to enjoy a *de facto* monopoly after eliminating all private trade from a given region or locality.

The important thing, of course, is to see the living reality lying beyond texts and legal formalism.

The act of joining the society is not the sole or the essential one required of its members by the co-operative institution. Co-operative organisation does not produce results automatically. It only helps co-operators if the latter help themselves, if all make equal efforts. The real opposition is therefore not between voluntary membership and compulsory membership, but between the indifferent or inconstant member and the active co-operator who feels a responsibility towards his fellow members and the common undertaking and who consequently keeps up a steady and persevering activity.

Co-operation demands a keen sense of duty and active collaboration. Whether or not compulsory, it is always a product of the will. Whether legal obligation or propaganda is the secondary means of recruiting members, education always remains a necessity, for it is education which forms men's wills.

D. *Participation in "Co-operative Business."*

By the term "co-operative business" we mean the dealings of a co-operative undertaking with the

co-operating members. In a supply co-operative, for instance, the " co-operative business " is the deliveries made to members; in a marketing co-operative, the deliveries made to the co-operative. In a labour co-operative it is the employment of its members' skills. The nature of the " co-operative business " defines the function of the co-operative.*

Co-operative societies usually follow these two rules: (1) The association is open to any person fulfilling the general conditions laid down by the articles of association, e.g., in regard to residence, occupation, character; (2) " Co-operative business " is transacted with members of the association only.

Certain departures are sometimes made from these two rules. First, admission to membership and to " co-operative business " may be permanently or temporarily restricted, if the undertaking itself is limited in size. For instance, the output of the ovens of a bakery cannot exceed a certain maximum. Similarly, the power of a waterfall harnessed by an electricity co-operative is limited, as is the area of an estate to be divided into lots for housebuilding by a housing co-operative. Again, a consumers' (or a marketing) co-operative may decide not to extend its activities beyond a certain radius. In such cases, the potential users who are refused admission will have to wait till the undertaking is enlarged or else create a new association which will try to find ways of setting up another undertaking.

Business of the kind done in principle with members of the association only may be transacted with non-members for various reasons. It may be for

* Certain co-operatives, it will be recalled, are multi-purpose. (See p. 23 and note I to p. 64).

economic reasons—which may be either temporary or permanent. If the harvest is poor, for example, an agricultural co-operative flourmill will buy wheat outside the circle of its members in order to keep its plant working to full capacity; a consumers' co-operative will dispose of by-products of its manufactures or stocks held in excess of members' needs on the open market; a market gardening co-operative will buy produce grown by non-members if this is necessary to maintain a connection with its regular customers; a labour co-operative will take on workers who are not members in case of urgency or for seasonal work.

Business may be done exceptionally with non-members for reasons of membership policy. For instance, in a labour co-operative outside workers or apprentices working alongside the members will not be admitted to full membership till they have passed through a probationary period in which their character and professional qualifications are put to the test. In a consumers' co-operative sales may be made to the public as part of a membership drive.

These exceptions to the twofold rule of the "open door" and "restriction of co-operative business to members only" are permitted by custom and also in most co-operative legislation subject to certain conditions:—

1. Admission to an association must not be restricted for speculative purposes, such as a desire to reserve to existing members the use of reserves accumulated since the society was formed.

2. Gains arising from "co-operative business" done with non-members must not be distributed

among the members: either non-members will share in the distribution of surpluses on the same footing as members or else that part of the surplus arising from business with non-members will be allocated to the indivisible collective reserves.

3. Systematic efforts will be made through propaganda and education to turn non-members into members.

These conditions are not deducible from pure economic interest. They stress the co-operative institution's moral character to which we have already called attention more than once.

The co-operative undertaking depends for its efficiency very largely on the moral and technical collaboration which educated members and not mere customers may be expected to give to it.

This efficiency, which tends to diminish when the social bond is relaxed, would be still more seriously impaired if business done with non-members were to represent a considerable percentage of its total trade. The co-operative undertaking would then tend to assume the characteristics of undertakings carried on without the participation and control of their users.

A development in the opposite direction may be observed in such philanthropic associations as those which have been established in some countries to help supply or market the products required or manufactured by small rural industries and to maintain or raise their technical and artistic standards. They open their ranks to the workers whose interests they were founded to serve and thereby recognise all the moral and economic advantages of co-operative association.

IV

Service Management and Profit Management
Co-operative Rent

By no means all the undertakings of capitalist companies are run strictly in the interest of the whole body of their shareholders, that is, with no other object than to earn—through the most perfect "profit management"—the highest possible rate of profit on the capital invested.

It may and does happen that the directors of capitalist undertakings—particularly when they are large ones—will in varying measure depart from the managerial policies and practices which would be most profitable to the shareholders. They will then pursue such other aims as personal advantage in the form of fees and commissions or the making of deals which are profitable to them as suppliers or customers of the undertaking. Apart from pursuit of material advantage, there may be other reasons for departure from management strictly in the interests of the shareholders. In particular, there may be the directors' desire to satisfy their vanity or will to power through seeing the undertaking grow. Moreover, these motives may be mingled or identified with a creative activity prompted by loftier considerations or with a concern for the public interest.

Similarly, the directors of co-operative societies may depart from strict "service management" carried on in the interest of the member-users. For

example, there may be, from the highest motives, a desire to increase the Co-operative Movement's sphere of action by rapidly extending the size of undertakings, even to the detriment of the services expected of them by their members. And these motives may be shared by at least a part—the most enthusiastic part, too—of the membership.

In the following pages a typical capitalist undertaking under strict "profit management" will be compared with a co-operative undertaking under strict "service management." It will be shown in each case under what conditions a policy of expansion is compatible with the exigencies of their particular form of management.

For the sake of simplicity, two grocery undertakings will be compared—the one depending on a capitalist company and the other on a consumers' co-operative society. Afterwards the findings will be generalised.

In order that the precise point under consideration may fully emerge, it will be assumed that the two contrasted undertakings possess the same supply facilities as regards quality, quantity and price, that they charge the same price for goods of equal quality, and that they are identical as far as the capacities of their directors and employees, their technical and commercial organisation, their trade and their competitive position are concerned. It will also be assumed that their warehouses and retail shops are equal in number and similar in size, equipment and location, and that they possess the same means of transportation.

All these conditions being equal, it will be shown that the two undertakings differ not only in their

method of distributing profits at the end of the financial year, but that this difference in method and, more generally, the fact that one is under " profit management " and the other under " service management " will result in different decisions being taken on the same problem by the two boards of management.

By way of illustration let us see what the attitude of the two boards will be when considering an outlay—on a publicity scheme, for instance—likely to lead to an increase in trade.

To enable figures to be used, we will suppose that the capital of the capitalist undertaking—the amount does not matter—is divided into 8,000 shares of equal value and that at the end of a given year the trading account of both undertakings gave the results shown in the following table.

Turnover: 8 million francs		
Total *gross* gain (before deduction of fixed charges)	M =	1,200,000 francs
Fixed charges	F =	400,000 francs
Total *net* gain	B =	800,000 francs

Co-operative patronage dividend: 10 francs for each 100 francs of purchases.

Capitalist dividend: 100 francs per share.

Now let us see the effect, in the two cases, of an expenditure on advertising of 200,000 francs, if this causes the trade to increase from 8 million to 10 million francs (all other expenses, as well as purchase and sales prices remaining the same).

Turnover: 10 million francs

Total *gross* gain		M =	1,500,000 francs
Fixed charges.........	400,000 francs		
Advertising expenses	200,000 francs		
	600,000 francs	F =	600,000 francs
Total *net* gain		B =	900,000 francs

Co-operative patronage dividend: 9 francs for each 100 francs of purchases.

Capitalist dividend: 112.50 francs per share.

The advertising expenses are the same as are the increases in turnover, yet opposite results are reached. The capitalists get a higher dividend on shares, while the co-operators' patronage dividend is lower.

It should also be noted that the capitalist undertaking could raise its advertising expenses to 300,000 francs and still keep its original dividend. The co-operative patronage dividend, on the other hand, could only be maintained at its former rate by securing the increase in trade with an advertising expenditure not exceeding 100,000 francs. Therefore in the sphere of advertising pure and simple, the two undertakings will not be competing on equal terms.

With its more limited advertising budget, the co-operative will have to direct its efforts elsewhere and use other methods not available to its capitalist competitor. It will choose methods originating in the very nature of the co-operative institution, which will enable what we shall later term " co-operative rent " to be brought to a maximum.

At the same time it is to be observed that if for some such reason as economic crisis or population

decrease the volume of trade is reduced from 8 to 6 million francs, the co-operative undertaking will meet less serious difficulties than the capitalist one. The former will be able to maintain its existing rate of patronage dividend if it can reduce its total expenditure by only 100,000 francs, while the latter —unless it can raise its selling prices—will have to reduce its expenditure by 300,000 francs.

So any variation in the volume of trade—whether upwards or downwards—will confront the co-operative undertaking with management problems different from those which the capitalist undertaking will be called upon to face.

As will be proved later, these conclusions are quite independent of the particular figures used in the examples given above.*

* * * *

Let us consider again the case of a consumers' or supply co-operative where the advantage derived by the co-operator from his co-operative purchases depends on their amount as well as on the rate of patronage dividend. If the rate of dividend goes down, each co-operator can be compensated (or more than compensated) for this reduction, if he increases his individual purchases as a result, for instance, of the co-operative having entered a new field of activity. If this new field meets a common need of the bulk of the members, each of them will increase his purchases and, despite the decrease in the rate of the dividend, will find its total increased. He should perhaps be satisfied with this, but it is not certain that he will be, since he is not indifferent to the rate of the dividend. Will he not have the

* See Note on p. 98.

impression that something is not quite right in the co-operative?

A solution would be to fix a separate rate of dividend for this new field of activity. In most consumers' co-operatives are there not already a number of articles—such as sugar—on which the purchaser is not entitled to any patronage dividend? And then—in another sphere—in agricultural marketing co-operatives where the co-operative machinery is particularly accurate, are there not as many " pools " with separate accounts (and consequently as many separate settlements) as there are sorts and grades of produce delivered by the members?

It will be almost impossible to avoid fixing differential rates of dividend—despite the book-keeping difficulties—if the net profit rate in the new branch of activity is substantially different from the general rate prevailing. This solution will be all the more necessary if the new branch of activity does not interest the bulk of the members, but only meets the needs of a small proportion of them.

None of these problems encountered by the co-operative undertaking is faced by its capitalist competitor. Provided the new branch of activity results in an over-all increase of profit, it matters little to the capitalist undertaking how its increased business is divided among its customers, and the results obtained by the undertaking are a matter of indifference to the latter.

* * * *

For purposes of demonstration, we have contrasted a co-operative undertaking—that of a consumers' co-operative—with a capitalist undertaking, but as only the difference in their aims—

over-all gain on capital invested in the latter and unit gain to the user in the former—was taken into account, the demonstration serves to show the difference between all "profit management" (capitalist undertakings, revenue-earning monopolies) and all "service management" (co-operatives of all types, public services, undertakings of philanthropic societies). In particular, it is easy to show that our conclusions extend to all forms of co-operation. It is of little importance, for the purposes of our demonstration, that the net gain of the co-operative undertaking means a decrease in the price provisionally paid (in a supply co-operative) by the co-operator for each unit purchased, or an increase in the price provisionally received by the co-operator for each unit of goods delivered (in a marketing co-operative) or for each unit of work done (in a workers' productive co-operative). In all these different cases it is sufficient that *the co-operative advantage should be calculated per unit of business*—irrespective of what this unit may be—to make the undertaking subject to different rules of management from those found in the "profit undertaking."

Our demonstration emphasises the importance of the distinction drawn between the group of "profit undertakings" and that of "service undertakings." The distinction is a fruitful one, because it makes it possible to take into account rules and characteristics—and even book-keeping peculiarities—which are not explicitly formulated in the simple notions serving as a starting point.

Then again, the affinity which we have shown to exist between all service undertakings really settles the question whether such an affinity exists

between all the different forms of co-operation. "Service management" is a common characteristic of all categories of co-operatives, but one which they share with service undertakings generally. It has only been possible to characterise fully the co-operative institution, by taking into consideration its two elements: the element of *association* as well as the co-operative *undertaking*. As regards association, too, a feature common to all forms of co-operation has been found. Co-operatives of all categories group small economic units and activities of an individual and family nature, and it is this characteristic that determines their place in economic and social life.*

Co-operative Rent

In a few exceptional cases the co-operative undertaking, together with the small units served by it, forms a closed economy. This is so, for instance, where a co-operative flour-mill grinds the wheat harvested by its members and gives them back flour for home breadmaking and offal for feeding to animals.

Apart from these rare cases, the co-operative undertaking is economically related both to its members and to the market. The nature of the business done with the members—the "co-operative business"—is determined by the function of the undertaking satisfying the members' needs. As we have seen, the financial settlement of this business is generally made in two stages: first, there are the sums paid or received by the member at the time of the transaction, and, second, the distribution of

* Cf. pp. 30 *et seq.* and pp. 78 *et seq.*

patronage refunds which make the settlement final. It is up to the members to decide how close the provisional settlement at the time of the transaction should be to the terms which they would have obtained if they had dealt with private undertakings. The rate of patronage refund will be higher or lower according to what they decide.

In our comparison of a consumers' co-operative and a similar capitalist undertaking, we adopted the hypothesis that the co-operative would distribute goods to its members at the prices current in private trade.

Under this hypothesis, it might be thought that, if the co-operative and the capitalist undertaking have net surpluses of the same size, they must also be of the same origin. In other words, if an analysis were to be made of the origin of the *differential rents* —the sum total of which form its "profit"— earned by such capitalist undertaking in comparison with competing undertakings yielding no rent, the same origin could be ascribed, without further ado, to the net surplus of the co-operative, and such surplus—apart from the rule of its distribution— could be likened to capitalist profit.

In reality, the similarity between them can only be partial. For besides the factors which may arise to increase or decrease the net surpluses of both undertakings alike, others have to be taken into account which depend on the co-operative nature of the one and the capitalist nature of the other.

For instance, if the members of a consumers' co-operative are willing to walk a few yards further and serve themselves in a co-operative store, their loyalty to the common undertaking will express

itself in the form of an increase in the net surplus.

This additional gain will have all the characteristics of a *differential rent arising from the co-operative nature of the undertaking.*

Similarly, when an agricultural marketing co-operative obtains better market prices as a result of improved quality of produce secured by co-operative discipline, a differential rent arising from the co-operative character of the undertaking is created.

We can term " co-operative rent " the positive or negative results of the factors operating to raise the net surplus of the co-operative above or reduce it below the profit that would have been made by a similar capitalist undertaking under conditions otherwise similar.*

There are many factors which can operate to increase or diminish the " co-operative rent "—and possibly to make it negative.

Democratically organised, co-operative associations can exhibit varying degrees of prudence in their decisions. They may be divided by personal or factional quarrels. They may be fortunate or not so fortunate in their choice of the persons entrusted with

* The term " rendita cooperativa " has been used by Emilio Lama (*Cooperazione*, 1930) in a different sense from that which we give to the expression " co-operative rent " (in French " rente de coopération ").

By " rendita cooperativa " Lama means the sum total of advantages brought to its members by the co-operative. By " co-operative rent " we mean the sum total of positive or negative results accruing to the co-operative undertaking *by virtue of its co-operative character.*

If the " co-operative rent " happened to be negative and, in absolute value, equal to the middleman's profit, it would be found that the co-operative had " abolished profit," having nothing to distribute.

the administration and supervision of their undertakings. These weaknesses are shared by all members' meetings, and are perhaps less serious in co-operative ones than in those of capitalist companies.

Recruiting from the quarters they do, co-operative societies cannot command, for the conduct of their business, the same technical capacities available to private undertakings. On the other hand, they generally can and do find devoted management committees and managers whose activity and determination to be successful originate from high motives.

Besides the factors in "co-operative rent" which have to do with the control and administration of the undertaking, there are others of no less importance which depend on the use made of the undertaking by its members.

If the undertaking answers a need keenly felt by members willing to submit to the necessary discipline, if, too, the undertaking under the members' direct control is simple enough for them to have a clear view of it, so that they can strive to perfect their relations with it and exercise their sovereignty intelligently and effectively—if these conditions are fulfilled, it can get results obtainable by no other undertaking.

These results will be all the more certainly achieved if a sustained educational effort has developed the co-operative spirit and awakened in everyone the sense of common responsibility. "Co-operative rent" depends on the quality of those co-operating.

NOTE

If B and b represent respectively the over-all net gain and the rate of unit gain for a volume of trade N, and if B' and

b' represent respectively the over-all net gain and the rate of unit gain for a variation in the volume of trade from N to $N + n$ (n being positive or negative, as the volume of trade has gone up or down), then

$$(1)\ \frac{B'}{B} = \frac{b'(N+n)}{bN}, \text{ whence } (2)\ \frac{B'}{b'} = \frac{B}{b}\left(1 + \frac{n}{N}\right)$$

It results from formula (2) that the ratio $\frac{B'}{b'}$ will be different from the ratio $\frac{B}{b}$ unless n is equal to nought, and the greater n is in absolute value, the greater the difference between them will be. Consequently, the variation in the volume of trade excludes the possibility of management which will yield at the same time $B' = aB$ and $b' = ab$, a being any multiple. In particular, it is impossible to adapt management to the new volume of trade in such a way as to obtain at the same time $B' = B$ and $b' = b$. If $B' = B$, then $b' = b\left(\frac{N}{N+n}\right)$, and, conversely, if $b' = b$, then $B' = B\left(\frac{N+n}{N}\right)$.

It follows that "service management" (interested in the rate of unit gain) and "profit management" (interested in over-all gain) will have to modify their policies in different ways, and the greater the variation in the volume of trade, the greater this difference will be.

Let us examine first the effects of an increase and secondly those of a decrease in the volume of trade.

(a) *Increase in the Volume of Trade.*

Let M be the over-all *gross* gain, before deduction of fixed charges F, so that $M = B + F$.

If the increase in the volume of trade could be obtained while maintaining the gross gain at the rate $\frac{M}{N}$ and without incurring new fixed charges, then the undertaking would show a *supplementary gross gain* equal to $n\frac{M}{N} = \frac{n}{N}(B + F)$.

But in general the increase in the volume of trade will only be obtained at the price of " new charges " in the shape of an increased general expenditure (new fixed assets, advertising expenses, etc.). These charges may be still further augmented by a reduction in the rate of gross gain, if selling prices are cut without a compensatory reduction of the variable charges. The " new charges " must not exceed certain limits if the increase in the volume of trade is to remain advantageous, and these limits will be narrower for " service management" than for " profit management."

Let us call these "new charges" S and let us consider, in particular, the two values $S_1 = \frac{n}{N}(B + F)$ and $S_2 = \frac{n}{N} F$.

If the " charges " reach the value S_1, the *supplementary* over-all net gain will be completely absorbed, but the *previous* over-all net gain (and consequently the capitalist undertaking's dividend) will be maintained.

On the other hand, for the *unit gain* to be maintained at not less than its former rate, the " new charges " must not exceed the value S_2. But then the undertaking keeps a portion of the *supplementary* over-all net gain, and, if a capitalist one, it can increase its dividend.

(*b*) *Reduction in the Volume of Trade.*

The same formulæ apply as above. The over-all net gain will be reduced below $n\frac{M}{N}$ unless the management succeeds in efforts to find compensation for the decrease through a new management policy. These efforts will have to be much more strenuous in the case of " profit managment " than in that of " service management." Under " profit management " there will have to be complete absorption of the reduction $\frac{n}{N}(B + F)$ in the *over-all gain*, whereas in the case of " service management " a partial absorption not exceeding $\frac{n}{N} F$ will be sufficient to restore the previous rate of unit gain.

V

Geographical Distribution of the Main Types of Co-operatives

Co-operation is perhaps more widely distributed geographically than any other modern form of organisation.

It is not only in European countries that co-operative institutions have developed, and in such places as North and South America, North and South Africa, Australia and New Zealand, whose language and population make them, as it were, extensions of these countries, but also in countries of other races and with a different culture.

A rapid survey of the state of co-operation in non-European countries will suffice to show that this is the case.

North Africa and the Near East. Agricultural Co-operation has taken root along the whole Mediterranean seaboard—in Algeria and Tunis, and, more recently, in Morocco, Egypt, Turkey and Cyprus.

North America. In the United States and Canada, besides a Consumers' and Agricultural Supply Co-operative Movement, and a Savings and Credit Movement, which have made rapid progress in recent years, a powerful Agricultural Marketing Co-operative Movement has developed, with societies specialised on a commodity basis along the lines which have proved so successful with the Danish co-operatives. In Mexico the development

of the Movement is chiefly bound up with measures of agrarian reform.

Central America and the West Indies. The Co-operative Movement is still in its infancy in the countries of Central America and in the islands of the Caribbean region.

South America. The Movement is oldest and progress has been most rapid in Argentina and Uruguay. In Brazil, there is a very varied Agricultural Co-operative Movement among coffee growers and other producers, together with some fishermen's co-operatives.

Oceania and South Africa. Strong agricultural co-operative movements have developed in the Dominions of Australia, New Zealand and South Africa, and in all these countries there are also some consumers' co-operatives.

Asia. In Japan co-operation in all its forms has developed along western lines, parallel with a credit co-operative movement of indigenous origin. In India, Credit Co-operation is the predominant form—with more than 100,000 village societies scattered throughout the country. Similarly, Credit Co-operation and, to a less extent, other forms of Agricultural and Rural Co-operation have developed in recent years in Thailand, the Malay States, the Philippine Islands and Madagascar, and, under special forms, in Indonesia and Indo-China.

Tropical Africa. Beginnings made in this region have shown the benefits which co-operative institutions can bring to native peoples—without impairment of the traditional pattern of life—by

gradually converting their old community institutions into more modern forms of co-operative.*

* * * *

In many countries the statistics of co-operative societies are still far from perfect. However, they are sufficient to allow an approximate estimate to be made of the size of the Movement as a whole, as well as of the relative importance of the principal types of co-operative and their geographical distribution.

The data utilised in this chapter are taken from the most recent general statistics which mostly relate to the year 1937.†

* Cf. M. Colombain: "Les Coopératives indigènes au Maroc," in *Bulletin économique du Maroc*, July, 1937, and C. F. Strickland: "The Co-operative Movement as an Instrument of Economic and Social Reconstruction," in *International Labour Review*, Vol. XXXVII, No. 6, June, 1938.

† *International Directory of Co-operative Organisations*, International Labour Office, Geneva, 1939, and *Co-operative Societies throughout the World: Numerical Data*, International Labour Office, Geneva, 1939. Reprinted from *International Labour Review*, Vol. XL, Nos. 2–3, August–September, 1939.

Owing to the imperfections—greater in some countries than in others—of national statistics, it has been found necessary and possible to fill some of the gaps by reasonable estimates. Thus membership data are not always available for all societies but only for a proportion of them. This proportion varies according to the country and type of co-operative concerned, but taken as a whole represents 71 per cent of the societies reported. If the estimates had been based on the average number of members in societies for which membership figures are known, the result would probably have been too large, since in general the societies on which no information is available are among the weakest. Accordingly, in computing the membership of the latter, half the average

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In 1937 it was estimated that there were altogether 750,000 co-operatives in the world. This figure included 287,000 co-operatives in the U.S.S.R., which, owing to their special character, are best considered separately and will not be taken into account in the figures which follow.*

The following table shows the total number of co-operatives in all countries (except the U.S.S.R.), as well as their membership and trade (supply of goods or services to members and sale of their products.†

	No. of Societies	Membership	Trade in gold francs‡
Europe	240,000	54,000,000	26,000,000,000
Other countries...	220,000	31,000,000	17,000,000,000
Total	460,000	85,000,000	43,000,000,000

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membership of the societies for which figures are available has been taken as a basis of calculation. A separate estimate has been made for each category of co-operatives and for each group of countries distinguished. The same course has been adopted in estimating figures for trade. In some cases the existence of complementary sources has made it possible to make certain readjustments.

* The 287,000 co-operatives in the U.S.S.R. were divided as follows:

24,113 consumers' co-operatives;

14,555 workers' and handicraftsmen's co-operatives (including 1,022 fishermen's co-operatives);

246,905 agricultural co-operatives (including 246,000 *kolkhozy*).

The U.S.S.R. has maintained and has even tried to develop—alongside large-scale industry—small-scale industry and rural industries which provide the foundation on which workers' and handicraftsmen's co-operation is built. This is

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The foregoing data relate to the year 1937 (or to the years immediately before or after). It is possible in the case of Europe at least to compare them with data for the years 1909-10. During a quarter of a century the number of societies reported more than doubled. In 1909-10 there were 120,000 societies in Europe (including Russia), while by 1937 the number had risen to 240,000 (with the U.S.S.R. excluded).*

Though they possess common characteristics—peculiar to themselves alone—co-operative societies appear in a great variety of types. This diversity is

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the form of co-operation in the U.S.S.R. which is closest in its methods of working to the corresponding types of co-operation found in other countries.

† These figures only comprise co-operatives proper. They do not include agricultural mutual insurance societies, and such societies will not be considered in the following pages. However, they are closely related to the rural and agricultural co-operatives; their members are drawn from the same social groups and they operate under much the same conditions. Often they are affiliated to the same federations as the co-operatives proper. In 1937 the total number of agricultural mutual insurance societies in the world (excluding the U.S.S.R.) was 60,740, with an aggregate membership of 7,000,000 (including 3,200,000 in Europe and 3,300,000 in the United States). The total amount insured by these societies was 110,000,000,000 gold francs (including 74,000,000,000 francs in Europe and 34,000,000,000 francs in the United States.)

‡ At the average exchange rate for 1937, 1,000 gold francs were equivalent to £66·08.

* These data were given in the *Year Book of the International Co-operative Movement*, International Co-operative Alliance, London, 1913.

TABLE I

Co-operative Societies and their Membership (Whole World except U.S.S.R.) Distributed by Categories

Categories	No. of Societies	No. of Members in 1,000's	% in each cat.
A. *Co-operatives in Urban and Industrial Areas:*			
Consumers' Co-operatives...	24,685	19,465	24·4
Housing Co-operatives	21,474	9,290	11·7
Urban Credit Co-operatives..	27,525	8,720	10·9
Occupational (non-agricultural) Co-operatives........	13,840	1,665	2·2
	87,524	39,140	49·2
B. *Co-operatives in Rural and Agricultural Areas:*			
Rural Credit Co-operatives...	189,439	19,140	24·0
Specialised Marketing Co-operatives....................	59,273	9,660	12·1
Rural Purchase and Sale Co-operatives....................	63,212	7,955	10·0
Other Rural and Agricultural Co-operatives	57,691	3,710	4·7
	369,615	40,465	50·8
Total in all Categories......	457,139	79,605	100·0

twofold. It arises first from the variety of environments from which co-operatives draw their membership, the two main divisions being the urban, industrial areas and the rural, agricultural areas. The second factor is the variety of functions which may be entrusted to the common undertaking by the members. These two kinds of diversity correspond to the distinction already drawn between the two component elements of the co-operative institution —the *association* and the *undertaking*.

Taking into account the characteristics of the most general order, based on the affinities between societies grouping themselves together in the same unions or federations, and having regard also to the classifications most commonly adopted in the statistics of the various countries, we may divide co-operative societies into the eight main groups indicated in Table I.*

Rural and agricultural co-operatives are the most numerous, but many of them—especially the credit co-operatives—have a very small membership. The last column in Table I shows the relative importance of the principal categories of co-operatives in terms of their membership. It is to be noted that the aggregate membership of all the urban co-operatives is almost the same as that of all the rural co-operatives, and that in the former group half the membership belongs to the consumers' co-operatives, while in the latter half belongs to the credit co-operatives.

Sixty per cent of all the co-operatives belong to

* Cf. G. Fauquet: "Diversity and Classification of Co-operative Institutions," in *International Labour Review*, April, 1939. Reproduced in *Annals of Collective Economy* (Geneva) September–December, 1939.

TABLE II

Trade (in Millions of Gold Francs) of Primary Societies and their Central Organisations (Whole World except U.S.S.R.)

Categories	Primary Societies	Central Organisations
Consumers' Co-operatives:		
Supply	7,485	3,980
Marketing	—	7
Occupational (non-agricultural) Co-operatives:		
Supply	5,165	616
Marketing	220	27
Rural Credit Co-operatives:		
Supply	590	—
Marketing	245	—
Specialised Marketing Co-operatives:		
Supply	650	185
Marketing	16,255	2,855
General Purchase and Sale Co-operatives:		
Supply	6,190	2,280*
Marketing	1,820	1,560*
Totals:		
Supply	20,080	7,061
Marketing	18,540	4,449
General Total:	38,620	11,510

* Includes marketing business of central organisations of rural credit co-operatives.

one or more federations (non-economic unions and central economic organisations). In the case of the European co-operatives the proportion is as high as 74 per cent (88 per cent of the consumers' co-operatives and 88 per cent of the rural and agricultural co-operatives). The percentage is lower—45 per cent—among the co-operatives of non-European countries.

Table II shows the part played by the primary societies and their central organisations in supplying their members with goods or in marketing their products.

Forty-five per cent of the trade of the *consumers' co-operatives*, totalling eight or nine thousand million gold francs, is represented by that of the British consumers' co-operative movement.

Four-fifths of the trade of the *occupational (non-agricultural) co-operative societies*, totalling five or six thousand million gold francs, consists of supply business. Most of this business is done by the *handicraftsmen's co-operatives*. On the other hand, the marketing business of the occupational co-operatives—amounting to a little more than 1,000,000,000 francs, is chiefly made up of the sums derived from goods manufactured or work done by the *workers' productive co-operatives*.

The important part played by the *specialised marketing co-operatives* in the marketing of agricultural products will be noted. Their share, totalling 17,000,000,000 gold francs, represents four-fifths of the total marketing business done by agricultural co-operatives of all types.

* * * *

Table III takes four large geographical divisions, and shows first the different degree of development

TABLE III

MEMBERSHIP OF CO-OPERATIVE SOCIETIES PROPORTION PER 1,000 INHABITANTS (Whole World except U.S.S.R. and China)

	Great Britain	Other European Countries	America, Union of S. Africa, N. Zealand	Other Countries
	Membership in Thousands			
	9,465	43,590	12,270	13,040
	No. of Co-operative Members per 1,000 Inhabitants			
A. *Co-operatives in Urban and Industrial Areas:*				
Consumers' Co-operatives	151·8	32·34	2·63	0·41
Housing Co-operatives	46·0	5·76	18·20	0·02
Urban Credit Co-operatives	0·3	15·15	5·56	2·21
Occupational (non-agricultural) Co-operatives	0·8	3·02	0·48	0·53
B. *Co-operatives in Rural and Agricultural Areas:*				
Rural Credit Co-operatives	—	26·77	2·13	10·23
Specialised Marketing Co-operatives	1·0	15·76	9·79	1·48
Other Rural and Agricultural Co-operatives	5·4	25·46	4·75	0·89
Total	205·3	124·26	43·54	15·77

of co-operative institutions as a whole in these areas and secondly the relative proportions of the different types of co-operation in them.*

The early and intense development of industry in Great Britain explains the antiquity of its consumers' and housing co-operative movement and also its great size, while the decline in the country's agriculture, which employs only 6·8 per cent of its active population, and its system of land tenure, account for the weakness of its agricultural co-operative movement.

Table IV shows the close relation existing, in the European countries, between the degree of industrialisation and the development of the two forms of co-operation which answer the needs of urban industrial populations, namely *consumers' co-operatives* and *housing co-operatives*.†

* Table III takes as index the number of members of co-operative societies per 1,000 inhabitants. This index is necessarily a rough one, as it does not take into account, (1) the fact that each member of a co-operative usually represents a family (the average size of which varies from one country to another) and, (2) the fact that a person may belong to several co-operatives with different functions. For example, the members of a workers' productive co-operative are usually members of a consumers' co-operative as well, while in countries like Denmark, where the rural and agricultural co-operatives are highly specialised, a peasant is generally a member of several co-operatives at the same time. This latter fact, however, does not decrease the value of the index, as passage from multi-purpose societies to specialised ones has to be regarded as a step forward in co-operative organisation.

† The relation would appear even closer, if instead of taking 1937 figures for German co-operation, we had taken the figures for an earlier year. (Between 1932 and 1937 the membership of consumers' co-operatives fell from 3·6 million to 2 million.)

TABLE IV

Number of Co-operative Members per 1,000 Inhabitants (Europe excluding U.S.S.R.)

	Consumers' Co-operatives	Housing Co-operatives
Great Britain	151·8	46·0
Germany	35·6	10·9
Other industrial countries...	42·16	8·32
Agricultural countries*	21·82	1·02

Inside each country, it is in the industrial areas that the consumers' co-operatives have developed furthest: in England, for instance, it is in Lancashire.† In France, consumers' co-operatives appeared and then developed in industrial Alsace, among the silk workers of Lyons, in the industrial North and among the working people of Paris. In Germany, it was in the Ruhr and Saxony; in Italy, Lombardy and Piedmont; in Spain, Catalonia and the Basque country.

Though Consumers' Co-operation starts soonest and develops best in industrial areas, it has not remained within its original limits. It has spread from the industrial centres into the country districts, and in the cities themselves it has attracted other

* Countries where the active population engaged in mines and other industries represents less than 30 per cent of the total active population. (*Statistical Year Book of the League of Nations*, 1933–34. Geneva, 1935.)

† In the last few years the industrial development which has taken place in the southern counties has been accompanied by a notable growth of the consumers' co-operatives in this area.

members besides industrial wage-earners. The statistics of the German consumers' Co-operative Movement show that between 1910 and 1929 the proportion of industrial wage-earners among the members fell from 78 to 69 per cent as a result of the increase in the number of members recruited among State and municipal employees, professional people, retired persons, and independent farmers. In Denmark, Finland, Norway and Poland, all agricultural countries, the proportion of agriculturists among members of consumers' co-operatives is respectively 51 per cent, 46 per cent, 32 per cent and 29·2 per cent.

It is to be noted that when consumers' co-operatives are established in rural areas, they very often enlarge their functions and provide their members with such agricultural requisites as fertilisers, seeds and small farm implements in addition to articles of personal or domestic use. Conversely, agricultural supply co-operatives, besides meeting occupational needs, may satisfy domestic ones as well and so in fact assume the functions of a consumers' co-operative.

Outside Europe, Consumers' Co-operation is still not very far developed. However, in the United States, there are the very flourishing co-operatives originally founded by Finnish and Swedish immigrants in the States of Wisconsin, Michigan and Minnesota, and the more recently established purchasing co-operatives which supply the needs (especially for petrol) of their members drawn from both farming and urban, industrial areas.

Parallel with the rapid growth of the population of European origin in the temperate overseas countries there has been a development of *housing*

co-operatives—in the United States and also in Argentina, Australia and New Zealand.

* * * *

The *occupational* (*other than agricultural*) *co-operatives* account for only 2·3 per cent of the total number of members of co-operatives of all types. They are divisible into three groups: (1) handicraftsmen's (and small shopkeepers') co-operatives, (2) workers' productive co-operatives, and (3) fishermen's co-operatives.

Not found at all in Great Britain and only on a small scale in France, handicraftsmen's co-operatives have developed mainly in Germany (3,165 societies with 437,000 members before the war), Czechoslovakia (490 societies), Austria (166 societies with 29,000 members), Switzerland (278 societies), Belgium (246 societies), Bulgaria (213 societies with 12,000 members), Rumania (58 societies with 11,000 members) and Yugoslavia (129 societies). There are also some handicraftsmen's societies in Turkey, and outside Europe, in Morocco, India, Pakistan, Indonesia and Korea.

Historically, the origin and development of Handicraftsmen's Co-operation are associated with the name of Schultze-Delitsch. Rural Credit Co-operation is similarly linked to the names of co-operative pioneers: in Germany rural credit co-operatives are known as Raiffeisen societies, in Czechoslovakia as Kempelik societies, in Poland as Stefszyk societies. The role played by forceful personalities in the organisation and growth of co-operative institutions must not be underestimated, but their organising activities are only

effective where conditions are suitable for co-operative development. Two circumstances appear to have favoured the development of co-operation by handicraftsmen in Germany, first the comparatively late industrialisation of that country and, secondly, the survival of institutions derived from mediæval craft organisation.

The *workers' productive co-operatives* are linked to the handicraftsmen's co-operatives by a series of transitional forms. They do not constitute a really distinct group save in those countries where they have arisen out of the general movement of wage-earning workers towards organisation. In 1937, membership in such co-operatives was highest in Italy with 86,000 members, followed successively by Great Britain (33,000), Spain (33,000), France (31,000), Czechoslovakia (22,000), and, outside Europe, Mexico (93,000), United States (8,000), Palestine (3,000), and India (2,000).

The workers' productive co-operatives reported in Great Britain are of a special type, the membership consisting partly of workers engaged in the undertaking and partly of consumers' co-operatives to which most of the output of the societies is delivered.

The *fishermen's co-operatives* group about 100,000 members in some 800 societies. Most of them are in the Mediterranean area: before the war there were 177 societies in Spain, 106 societies in Italy, 192 societies in Yugoslavia and 15 in Bulgaria. They are less numerous—192 societies altogether—on the North Sea and Baltic coasts. Outside Europe, there were over 100 societies in Canada,* the United

* 91 in Canada alone in 1941.

States and Mexico, and about thirty in Sakhalin Island and the Netherlands Indies.

Urban credit co-operatives have developed to some extent in all the countries of Europe. They are particularly numerous in Germany (1,400 societies with 1,300,000 members before the war).

Known as Schultze-Delitsch Banks in Germany and as People's Banks in France, Italy and Switzerland, these urban credit societies only exhibit the characteristics of co-operative institutions in very mild degree. The social bond linking the shareholders is barely perceptible, and their business is carried on in just the same way as that of commercial banks.

A different type of urban credit co-operative is that represented by the savings and credit co-operatives, known as "credit unions," which have developed on a large scale in the United States during the past 20 years. The credit unions have succeeded in adapting to the conditions of urban life the essential principles of the rural credit co-operatives of the Raffeisen type. For they encourage thrift and struggle against usurious practices by meeting legitimate credit needs at moderate rates of interest. In the absence of the community of village life which ensures the necessary cohesion and an effectively supervised mutual aid in the case of the rural credit co-operatives, credit unions have utilised the bonds of association formed in urban areas, such as membership in the same church or work in the same workshop or office, or for the same employer. In December, 1939 there were 9,000 credit unions in the United States, with an aggregate membership

of 2,421,000.* Not a single credit union went into compulsory liquidation during the 1929-30 crisis which shook the whole American banking system.

The co-operatives in rural and agricultural areas are of very diverse kinds.† Table I divided them into four main groups: (1) *rural credit co-operatives*, (2) *specialised marketing co-operatives* (grouping the producers of a single product or of related products), (3) *rural purchase (and sale) co-operatives*, and (4) *other rural and agricultural co-operatives.*

(1) As far as rural credit co-operatives are concerned, their main characteristics have just been defined in connection with credit unions in the United States. A certain number of them, especially in the countries of Central and South-east Europe, combine supply and marketing functions with their savings and mutual credit functions, just as is often done by the village moneylender, the middleman whom they seek to eliminate.

(2) The co-operative commodity associations are sometimes also known as marketing co-operatives, the central function of the common undertaking carried on by such societies being the marketing of a particular product or of related products. This central function is often carried on in conjunction with accessory functions of storage, preparation and processing of products. The common undertaking

* The credit unions have continued their development in the U.S. and at the beginning of 1942 there were 10,425 of them, with a membership of 3,532,000.

† For further details on rural and agricultural co-operatives and on their various functions, see *Co-operative Action in Rural Life*, a study prepared by the Co-operation Service of the I.L.O. for the European Conference on Rural Life which was to have been held in 1939. (League of Nations, Geneva, 1939).

may also be responsible for the supply of the materials, equipment, plants or seeds required by the members in their work. But it may be that the functions just mentioned as accessory are the sole function of the common undertaking—the marketing of produce being carried out individually. Co-operatives of this type are therefore better defined in terms of the composition of the *association*—an association of producers of a single commodity,* rather than in terms of the function or functions of the *undertaking*.

(3) The *agricultural supply co-operatives* (distributing fertilisers, seeds, implements, etc.) often add to their primary function the marketing of their members' products. In this case, they are *general purchase and sale co-operatives*. It has already been mentioned that such co-operatives frequently supply their members with goods for individual or family consumption in addition to agricultural requisites.

(4) The fourth group comprises a fairly large variety of rural and agricultural co-operatives specialising in the provision of one service or another meeting the various general needs of rural communities:

(*a*) Land improvement co-operatives (clearance societies, drainage societies, irrigation societies); co-operative allotment societies and co-operative consolidation of holdings societies; co-operative ploughing societies; co-operatives for joint cultivation of the land;

(*b*) Co-operatives for the equipment of the rural community: Electricity co-operatives (Germany, 4,800 societies with 420,000 members;

* See Note 1 on p. 122.

Czechoslovakia, 2,120 societies; Sweden, 1,887 societies; Switzerland, 300 societies with 85,000 members; other European countries, 400 societies; United States, 259 societies); Telephone co-operatives: Finland, 300 societies with 19,000 members, United States, 3,700 societies with 11,000 members); Water supply co-operatives; Local road co-operatives and motor transport co-operatives; Health co-operatives (Yugoslavia 171 societies with 110,000 families; Poland, 12 societies).

(*c*) Co-operatives of the small rural industries (weaving, embroidery, etc.); Forestry co-operatives (Rumania, 207 societies with 22,000 members ; Bulgaria, 207 societies with 25,000 members; Sweden, 28 societies with 19,000 members; other European countries, 181 societies with 7,000 members).

These four main groups of rural and agricultural co-operatives are not equally represented in every country. This is seen to be the case even if only the three principal geographical divisions we have distinguished are considered. The following table shows the percentages of the main groups of rural and agricultural co-operatives in each of the three areas:—

TABLE V

Kind of Society	Europe	America, Union of S. Africa, Australia, N. Zealand	Asia, and other countries of Africa and Oceania
Rural Credit Co-operatives	38·9	12·78	81·3
Specialised Marketing Co-operatives	23·1	58·72	11·6
Rural purchase (and sale) co-operatives and other agricultural co-operatives	38·0	28·50	7·1
	100·0	100·0	100·0

It will be noticed that the specialised marketing co-operatives are predominant in America and in the British Dominions in the Southern hemisphere, while credit co-operatives are predominant in the other non-European countries. Equally marked differences would be found if the various European countries were compared with one another.

In general, Credit Co-operation has met the needs of countries where mixed agriculture is predominant and where there is a poor peasant population unable to escape from the scourge of usury, to raise itself materially and to provide itself with technical and moral education except with the support of credit co-operatives and the other forms of village co-operation.

The specialised marketing co-operatives, on the other hand, have developed in countries where agriculture itself is specialised and has therefore had to find and organise outlets for its products on

distant home markets, and, in very many cases, on the international market.*

The following table gives figures for the various types of specialised marketing co-operatives.

TABLE VI

Type of Society	No. of Societies	Membership	Trade (millions of gold francs)
Dairies	29,627	4,070,000	9,755
Livestock and Meat	4,724	1,420,000	2,915
Fruit and Vegetables ...	2,670	310,000	1,975
Vine Growers' Co-operatives....................	2,407	300,000	325
Others (Wheat, etc.)....	19,845	3,560,000	1,935
	59,273	9,660,000	16,905†

* Knowledge of markets and of the sales, packing and grading conditions obtaining in them requires a continuous flow of accurate information in the case of each separate product. Such information only attains its full value if it acted on at the point of production by the producers themselves. To ensure a safe and regular outlet for produce at the best prices obtainable on the market and to derive full advantage from branded products, not only must local co-operatives and their central organisations be well equipped and efficiently run, but the producers themselves must submit to the rules imposed by the market both in the cultivation and in the harvesting of the crop. Discipline in production is a condition of sale. The more clearly the common interest is recognised by each member, the more readily will this discipline be accepted and thereby be more readily ensured. Naturally, as experience goes to show, a greater cohesion is obtained when the producers of a single product are grouped in a separate co-operative. Cf. p. 25.

† Of this sum 97·6 per cent is attributable to marketing business and 2·4 per cent to the supply of members with requisites.

Danish co-operation provides very interesting data upon the extent to which agricultural holdings of different sizes participate in the various specialised co-operatives which have had such a remarkable development in Denmark.*

Table VII shows the percentage of animals (or products) on the farm delivered to the co-operatives by each group of holdings.†

TABLE VII

Type of Society	Area of Holdings in Hectares: From 0·55 to 3	From 3 to 15	From 15 to 60	From 60 to 120	From 120 to 240	Over 240
Dairies	88·1	90·4	90·3	80·8	48·9	29·9
Slaughter-houses (pigs)...........	60·3	75·3	78·4	68·7	56·5	55·9
Egg Export Co-operatives......	23·7	25·3	26·2	22·3	17·1	25·5
Cattle Export Co-operatives......	4·4	11·6	20·8	19·0	14·7	16·7

It will be seen from this Table that participation in the co-operatives is specially strong in the case of the small and medium-size holdings. The rather lower percentages found in that of the group of smallest holdings are probably explicable by the fact that the smaller the holding is, the larger is the proportion of the output reserved for family consumption.

* AXELSEN DREYER: *Den Danske Andelsbevaegelse*, Copenhagen, 1929.

† For instance, the first line in the table shows what percentage of milch cows on each category of holding have their milk delivered to the co-operative dairies.

In the big holdings—categories of 60-120 hectares and over,* the percentages decrease steadily with each increase in the area of the holdings, except that there is a higher percentage for the group of largest holdings in the case of deliveries to the egg and cattle export co-operatives. These holdings make a fairly wide use of the marketing facilities offered by these two types of co-operative.

As indicated at the beginning of this chapter, co-operative institutions are found throughout the world, but their distribution is not uniform. Without going into details, we saw that there are appreciable differences between countries as well as between continents, as regards not only the size of the Movement but also its structure.

For a full analysis of these differences it would be necessary to take into account in each country many factors besides the present state of its economic structure and the condition, moral and material, of its various population groups. Consideration would also have to be given to its past, the rhythm of its development, the accidents of its political history, the influence of ideologies, the role of outstanding personalities, the activity of educational and propagandist bodies, the influence of legislation on co-operative institutions (depending on how well adapted it is to their special nature), and lastly and more generally, the attitude of the State. This attitude may be friendly or hostile, but it can only

* In Denmark these large holdings are an exception. 55 per cent of Danish farms have an area of 1–10 hectares, 40 per cent an area of 10 to 75 hectares, and only 1 per cent an area in excess of 75 hectares.

be productive of good when it helps co-operators to help themselves.

Co-operation represents a complex fact—it is complex in itself, in its origin, in its history and its conditions of development, in its material and moral structure. It is complex, too, as regards the relations which it entertains with other spheres of social life. The attempt to reduce it to a plan or a formula shows ignorance of the subject.

APPENDIX

Diagrams

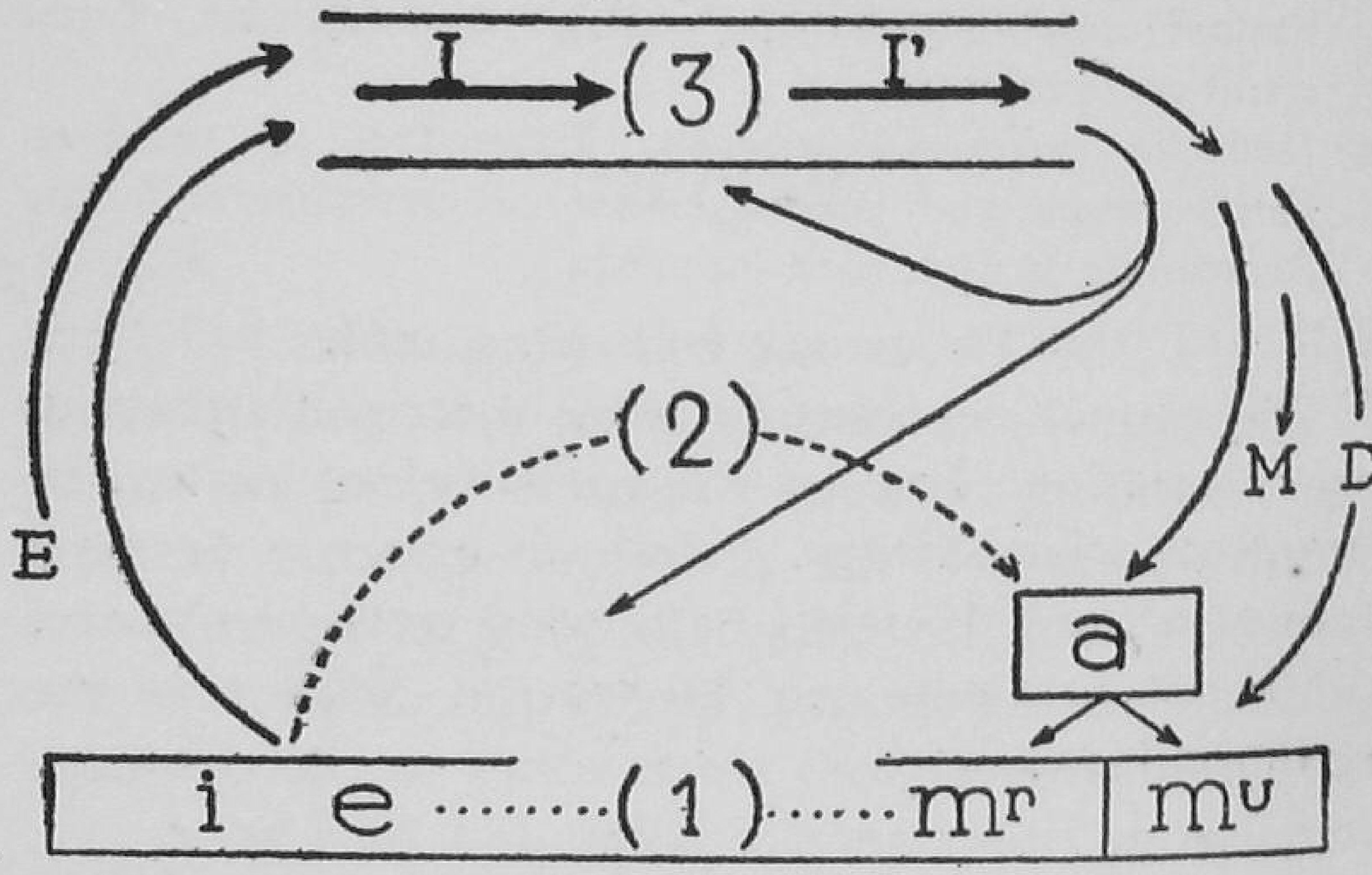
IN the following diagrams an attempt has been made to utilise those commodities which seem to lend themselves best to a pictorial representation of complex relationships. Such diagrams can only express a part of reality—the most general features of the facts open to observation. The concrete reality is inexhaustible.

DIAGRAM I

The Place of Large and Small Units in the Economic Process

Development of Co-operative Institutions out of Small Units

Large Units of the Intermediate Zone



Small Units of the Initial Zone
e=Agricultural Holdings

i =Small Rural Industries

Small Units of the Final Zone
a=Handicraftsmen and Small Shopkeepers
mr and mu=Rural and Urban Households

To illustrate diagramatically the principal features in economic evolution, the drawing distinguishes three circuits (1), (2) and (3) of mounting complexity:

(1) Closed or semi-closed *village economy*. Direct relations between production and consumption inside rural communities.
i=small extractive industries and other small rural industries.

e and mr=agricultural holdings and rural households.

Communal Institutions: communal bakehouse, communal mill, joint irrigation systems, joint pastures and cheese factories, etc. Development of these institutions into modern co-operatives.

(2) *Urban economy:* beginnings of the commercial economy and of urban centres. Relations between the town and the surrounding country.

a and mu=handicraftsmen and urban households. Entry of peasants into purchasing, marketing and credit relations. Peasant indebtedness: the village moneylender. Rural credit co-operatives.

(3) *Developed commercial economy.* Extension of markets. Development and predominance of capitalist economy (mercantile at first, then industrial).

E, I, I', M, D: see the following tables.

The capitalist economy is an intermediate economy, standing between the units belonging to the starting-point of the economic process (natural resources) and the units belonging to the end-point (ultimate consumption). Hence the division of the economic process into three zones in the diagram: initial zone, intermediate zone, and final zone.

The small units predominate in the zones at either extremity, and the co-operative integrations originate in these small units.*

* Cf. pp. 29–33 and the tables on pp. 128–130.

INITIAL ZONE

Primary Production: Agriculture, Forestry, Fisheries, Extractive Industries

(*a*) *Predominance of Small Units.*

e =	peasant holdings. Fishermen.	Agricultural and fishermen's co-operatives. (Credit supply, joint use of machinery, marketing of products.)
i =	small extractive industries and other small rural industries.	Workers' (basket - makers, woodcutters, quarry-men, tile-makers, etc.) productive co-operatives.

(*b*) *Exceptions.*

E=	large agricultural holdings. (Remains of feudal property. Capitalist farming: colonial plantations.) Large extractive enterprises. Capitalist fishing enterprises.	Co-operative farms. Enterprises of co-operative organisations whose successive integrations have reached back to sources. E.g., palm-groves, and tea plantations of British Consumers' Co-operation.

INTERMEDIATE ZONE

Standardised Materials and Forms

(a) *Predominance of Large and Medium-sized Units.*

I = Industries elaborating and refining raw materials derived from the Initial Zone. E.g., spinning-mills, steelworks.

I' = Industries processing and combining raw materials elaborated in I. E.g., weaving, machinery.

Primary co-operatives are rare, but there are the industrial establishments and marketing or supply agencies of co-operative organisations whose integrations—starting from the first or third Zone—have attained the Intermediate Zone. E.g., industrial establishments of the wholesales of the agricultural and consumers' co-operatives. Joint agencies and undertakings of agricultural and consumers' co-operatives.

Note: At each stage in the Intermediate Zone the finished or semi-finished products assembled and redistributed by the wholesale trade move along either towards the following stages (in the direction of ultimate consumption) or towards the preceding stages (elaborated raw materials, equipment and other means of production, e.g., chemical fertilisers and equipment for agricultural holdings).

(b) *Deconcentration of Large Units.*

Resort to home-workers and sub-contractors. Independent plants (E.g., Bata system).

Workers' sub-enterprises: labour contracting co-operatives, co-operative groups carrying out work within enterprises.

FINAL ZONE

Adaptation to Individual Needs and Tastes. Decoration. Repairs.

(*a*) *Predominance of Small Units.*

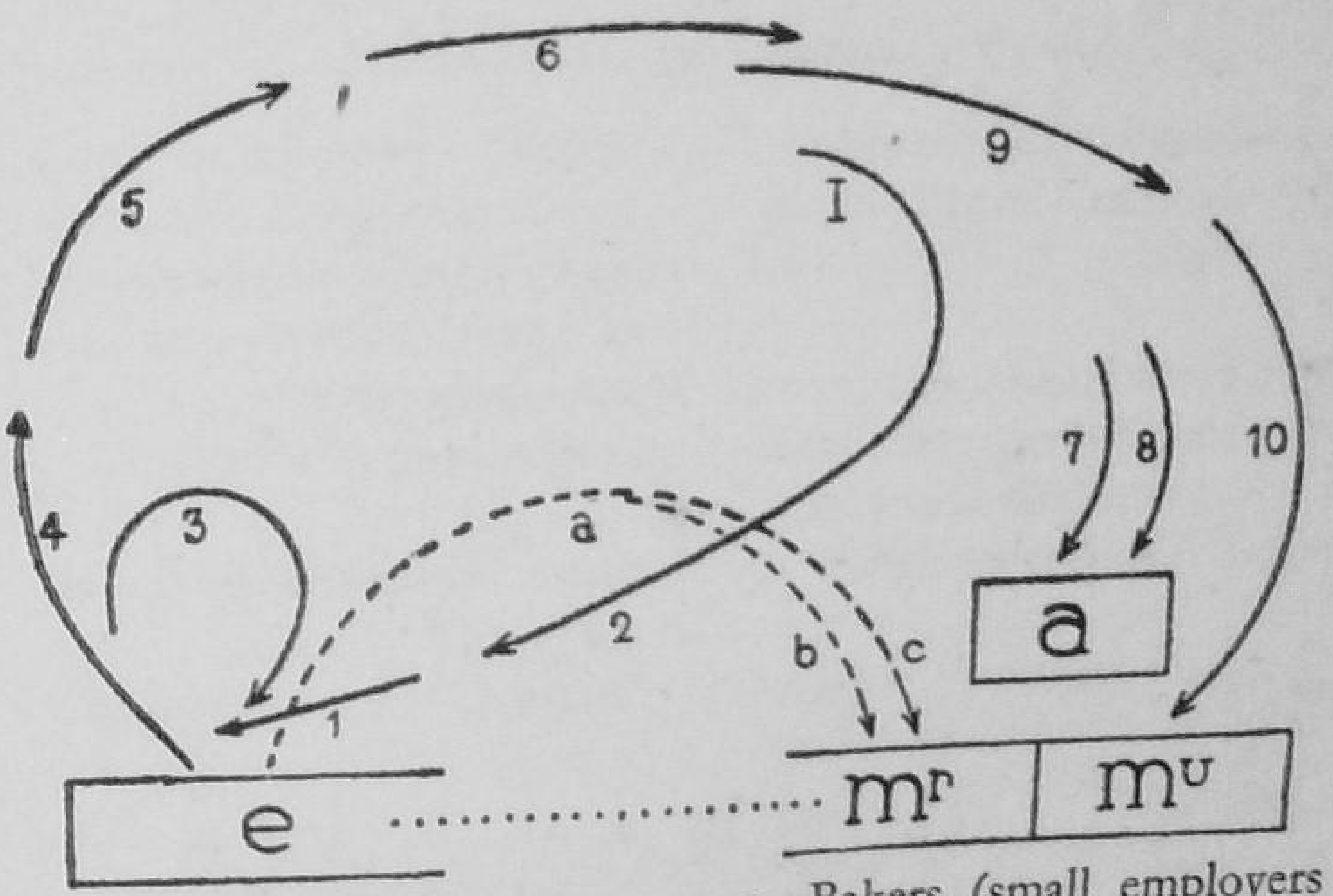
a=Handicrafts. Small industries. Small retail trade.	Workers' productive and handicraftsmen's co-operatives. Supply co-operatives of small shopkeepers.
mr=Rural households (generally connected with an agricultural holding).	Rural general supply co-operatives.
mu=Urban households.	Urban consumers' co-operatives and housing co-operatives.

(*b*) *Exceptions.*

D=Large retail trade. (Big department stores and multiple stores.)	Regional consumers' co-operatives with urban and rural branch stores.
M=Large collective households. (Hotels and boarding-houses, hospitals, convents.)	Co-operative hotels.

DIAGRAM II

Co-operative Integrations
A Concrete Example: From Wheat to Bread



Agricultural Holdings.

a=Bakers (small employers and workers).
mr & mu=Rural and Urban Households.

(a–b–c)—CLOSED OR SEMI-CLOSED CYCLES

Rural Co-operatives: Processing of Members' Produce for their own Consumption

a=Rural co-operative flour mills. These receive their members' wheat and give them back flour:
b=for the home baking of bread;
c=for the baking of bread in rural co-operative bakeries.

(1–10)—OPEN CYCLES

Co-operative Integrations in a Complex Commercial Economy

(*a*) *Agricultural Co-operatives.*

1. Agricultural supply co-operatives.
   Sources of supply:
   2. For fertilisers, machinery, etc.=wholesales of the agricultural co-operatives. (I=Factories making fertiliser, agricultural implements, etc.)
   3. For seeds=specialised seed producers' co-operatives.
4. Threshing co-operatives.
5. Warehousing (and marketing) co-operatives: co-operative silos.
6. Agricultural co-operative flour mills. These can undertake, as subsidiary functions, the storage and sale of wheat.
   5 and 6 sell wheat and flour, either on the open market or to the flour mills and bakeries of the consumers' co-operatives.

(*b*) *Handicraftsmen's and Workers' Productive Co-operatives.*

7. Supply co-operatives of small master-bakers.
8. Productive co-operative societies of working bakers. These co-operatives sell their output either to the public or to the consumers' co-operatives.

(*c*) *Consumers' Co-operatives.*

9. Flour mills of the consumers' co-operatives and of their federal bodies.
10. Bakeries of the consumers' co-operatives or of their federal bodies.